Petition

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No.

In the Supreme Court of the United States

October Term, 1981

ELBY'S BIG BOY OF STEUBENVILLE, INC., *et al.*,
Petitioners,

vs.

FRISCH'S RESTAURANTS, INC.,
Respondent.

PETITION FOR WRIT OF CERTIORARI
To the United States Court of Appeals
For the Sixth Circuit

THOMAS J. COLLIN
(*Counsel of Record*)
THOMPSON, HINE AND FLORY
1100 National City Bank Building
Cleveland, Ohio 44114
216/566-5500
Counsel for Petitioners

RAY A. BYRD
SCHRADER, STAMP, BYRD, BYRUM,
JOHNSON & COMPANION
816 Central Union Building
Wheeling, West Virginia 26003
304/233-3390

KEITH A. SOMMER
SOMMER & ANTILL
409 Walnut Street
Post Office Box 279
Martins Ferry, Ohio 43935
614/633-5551
Of Counsel

THE GATES LEGAL PUBLISHING CO., CLEVELAND, OHIO—TEL. (216) 621-5447

QUESTIONS PRESENTED FOR REVIEW

1. Whether a plaintiff can obtain injunctive relief under Section 43(a) of the Lanham Act (15 U.S.C. §1125[a]) without showing by specific evidence a likelihood of diversion of sales or other damage to its commercial position?

2. Whether Section 43(a) of the Lanham Act makes actionable an omission of fact when the advertisement from which the fact has been omitted is not facially false and there is no evidence of consumer reaction to the advertisement?

3. Whether under Section 43(a) of the Lanham Act likelihood of confusion is a legal question to be decided *de novo* by a court of appeals without regard to the "clearly erroneous" standard of Rule 52(a), Fed.R.Civ.P.?

4. Whether standing under Section 43(a) of the Lanham Act is governed by the substantive trademark law of the forum state?

5. Whether Section 43(a) of the Lanham Act applies to federally registered marks?

PARTIES AND RULE 28.1 STATEMENT

The parties to this proceeding in the Sixth Circuit were plaintiff, Frisch's Restaurants, Inc. ("Frisch's"), and defendants The Boury Corporation ("Boury"), Elby's Family Restaurants, Inc., Elby's Commissary, Inc., George Boury, Ellis Boury and David Carr*. Defendant David Carr is no longer employed by Elby's Commissary, Inc., or any other corporate defendant, but the district court's preliminary injunction order applies to him individually.

This petition is filed on behalf of three corporations, Boury, Elby's Family Restaurants, Inc., and Elby's Commissary, Inc.

Boury has no parent company, no subsidiaries except wholly-owned subsidiaries and no affiliates.

Elby's Family Restaurants, Inc., is a wholly-owned subsidiary of Boury. Other wholly-owned subsidiaries of Boury are Elby's of Steubenville, Inc., Elby's of Pennsylvania, Inc., Tri-Bro, Inc., Elby's Big Boy of West Virginia, Inc., Factory Glass Outlet, Inc., Boury Bros. Realty Corp. and The Boury Company. Elby's Family Restaurants, Inc., has no subsidiaries.

Elby's Commissary, Inc., is a wholly-owned subsidiary of The Park Corporation, which is a wholly-owned subsidiary of Boury. Other wholly-owned subsidiaries of The Park Corporation are Elby's Wheeling, Inc., Elby's Weirton, Inc., The Park Corporation No. 2, The Park Corporation of Ohio and Tri-Ad Corporation. Elby's Commissary, Inc., has no subsidiaries.

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*The amended complaint of Frisch's names, in addition to these defendants, Elby's Big Boy of Steubenville, Inc., Elby's Family Restaurant of Cambridge, Inc., Park Corporation of Ohio, Elby's Family Restaurant of Bridgeport-Martin's Ferry, Inc., and John Doe d/b/a Elby's Family Restaurant of Marietta, Ohio. None of the latter defendants was named as a respondent by Frisch's in the motion for preliminary injunction which was the subject of the proceedings in the Sixth Circuit.

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The Boury Corporation ("Boury"), Elby's Family Restaurants, Inc., Elby's Commissary, Inc., George Boury, Ellis Boury and David Carr (collectively referred to as "defendants") respectfully petition for a writ of certiorari to review the judgment of the United States Court of Appeals for the Sixth Circuit in this case.

OPINIONS BELOW

The opinion of the United States District Court for the Southern District of Ohio, entered on January 20, 1981, is reported at 514 F. Supp. 704 and is reprinted at A19 of the appendix to this petition ("Appendix"). The opinion of the United States Court of Appeals for the Sixth Circuit, entered on February 3, 1982, is reported at 670 F.2d 642 and is reprinted at A1 of the Appendix.

JURISDICTION

The judgment of the Sixth Circuit was entered on February 3, 1982, a copy of which appears at A36 of the Appendix. Defendants moved the Sixth Circuit for a stay of mandate pending the filing of this petition, and the court granted the motion by order dated March 1, 1982, a copy of which appears at A37 of the Appendix. The stay was continued up to and including April 30, 1982, by order of April 6, 1982, a copy of which appears at A38 of the Appendix. The jurisdiction of this Court is invoked under Section 1254(1) of Title 28 of the United States Code (28 U.S.C. §1254[1]).

STATUTE INVOLVED

This case involves only Section 43(a) of the Lanham Act (15 U.S.C. §1125[a]). Section 43(a) provides as follows:

> Any person who shall affix, apply, or annex, or use in connection with any goods or services, or any container or containers for goods, a false designation of origin, or any false description or representation, including words or other symbols tending falsely to describe or represent the same, and shall cause such goods or services to enter into commerce, and any person who shall with knowledge of the falsity of such designation of origin or description or representation cause or procure the same to be transported or used in commerce or deliver the same to any carrier to be transported or used, shall be liable to a civil action by any person doing business in the locality falsely indicated as that of origin or in the region in which said locality is situated, or by any person who believes that he is or is likely to be damaged by the use of any such false description or representation.

STATEMENT OF THE CASE

This is a dispute over a federally registered trademark for "hamburger sandwiches", BIG BOY, Registration No. 574,742 (May 19, 1953) (the "Mark"). A copy of the registration certificate appears at A39 of the Appendix. Marriott Corporation ("Marriott") is the owner of the Mark by assignment. It did not join plaintiff in bringing this action, and it is not a party.

Plaintiff, Frisch's Restaurants, Inc. ("Frisch's"), is an Ohio corporation engaged in the family restaurant business. Through a license agreement, Frisch's has the exclusive right to use the Mark in Ohio.

Defendant Boury is a West Virginia corporation engaged in the family restaurant business. Through a license agreement, it has the exclusive right to use the Mark in the panhandle of West Virginia, which includes the Wheeling area.

Defendants other than Boury are wholly-owned subsidiaries of Boury or officers or employees of Boury or its subsidiaries.

The complaint in this action was filed in the Court of Common Pleas for Belmont County, Ohio, on November 27, 1978, alleging, among other things, trademark infringement under Section 32(1) of the Lanham Act (15 U.S.C. §1114[1]). The action was timely removed to the United States District Court for the Southern District of Ohio on December 19, 1978. Federal jurisdiction exists under Sections 1331(a) and 1337(a) of Title 28 of the United States Code (28 U.S.C. §§1331[a], 1337[a]) and under Section 39 of the Lanham Act (15 U.S.C. §1121).

1. Facts.

This dispute centers upon defendants' advertising of the Mark on a Wheeling television station, WTRF-TV, and in Wheeling newspapers. Defendants have an obligation under the license agreement to promote the Mark.

Defendants operate in West Virginia, Ohio, Pennsylvania and New York what are known as "Elby's Family Restaurants". Defendants' restaurants in West Virginia use the Mark in their menus and display the Mark on the restaurant premises. Defendants' restaurants in Ohio do not use the Mark in menus and do not display the Mark on the restaurant premises.

Defendants use the Mark in their WTRF and Wheeling newspaper advertising. The advertising does not identify the location of defendants' restaurants, and this failure to list locations is the heart of the dispute in this case. Frisch's complains that the advertising is actionable under Section 43(a) of the Lanham Act because residents of nearby eastern Ohio who see the WTRF advertisements and read the Wheeling newspaper advertisements might conclude that defendants' Ohio restaurants are associated with the Mark.

Frisch's has no restaurants in that part of eastern Ohio reached by the WTRF signal or within the circulation range of Wheeling newspapers. It does not advertise in this geographic area.

Frisch's owns or franchises some eighty family restaurants in Cincinnati, Columbus and other cities in Ohio. The restaurants are operated and advertised as "Frisch's Big Boy Restaurants".

Defendants operate "Elby's Family Restaurants" in Columbus, but Frisch's complains only of the effect of

WTRF and Wheeling newspaper advertising on defendants' restaurants in six eastern Ohio cities, St. Clairsville, Bridgeport, Steubenville, Marietta, Cambridge and Dover.

2. Decisions Below.

Frisch's filed a motion ("Motion") for preliminary injunction in the district court on October 21, 1980. Frisch's requested in the Motion an order

> preliminarily enjoining Defendants The Boury Corporation, Elby's Family Restaurants, Inc., Elby's Commissary, Inc., George Boury, Ellis Boury and David Carr, pending final resolution of this case, from using the "Big Boy" trademark in any advertising medium that reaches a not insubstantial number of Ohioans without making a prominent disclosure that the Elby's Family Restaurants located within the State of Ohio are not associated with the "Big Boy" restaurant organization.

The district court conducted a hearing on the Motion on November 24, 1980. Frisch's introduced as evidence at the hearing WTRF advertisements and newspaper advertisements of defendants. It also introduced the results of a survey conducted by Lee Becker (the "Becker survey"). The Becker survey, conducted by telephone, sampled some 300 residents of St. Clairsville, Steubenville and Cambridge, Ohio.[1]

The Becker survey comprised 19 questions, many of which were intended to elicit background information

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1. Wheeling stands on the eastern bank of the Ohio River, the border between Ohio and West Virginia. A major east-west interstate highway, Interstate 70, runs through Wheeling. St. Clairsville is ten miles directly west of Wheeling on Interstate 70. Steubenville is 18 miles directly north of Wheeling as the crow flies. Cambridge is approximately 45 miles to the west of Wheeling, also on Interstate 70.

about the interviewee and others of which were calculated to mask the purpose of the survey, *i.e.*, the collection of information about the public's perception of defendants' restaurants in eastern Ohio. Becker concluded from the survey that "there is considerable confusion in the Ohio communities studied over the availability of the Big Boy product. A sizeable number of people think that Elby's Family Restaurants in Ohio carry that product."[2]

Frisch's premised the Motion on this confusion—public perception that defendants' restaurants in eastern Ohio are associated with the Mark. It urged that defendants were responsible for this confusion and that the confusion was actionable under Section 43(a).

The Becker survey did not establish what was the cause of confusion. Rather, as the district court noted, the confusion was "associated" with four factors:

(a) proximity of the particular Ohio community to West Virginia where consumers can purchase a Big Boy at Elby's;

(b) length of residence in the respective community; i.e., residents for a period greater than eight years are more likely to be confused;

(c) frequent travel to West Virginia; and

(d) viewing of Elby's advertisements on WTRF.

514 F. Supp. at 708; App. A24.[3]

The district court found that the first three of these four factors "are not attributable to defendants" but are instead "a result of the fairly unique geography of this

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2. Plaintiff's Exhibit 2 at 6; Joint Appendix at 434.

3. Parallel citations to court opinions in the Appendix to this petition will appear as "App. .....".

tri-state area." *Id.* at 708; App. A24). Because, pursuant to a reciprocal advertising arrangement between defendants and WTRF, defendants by use of billboards and other advertising at their Ohio restaurants urged customers to watch Elby's ads on WTRF, the district court concluded, however, that the fourth factor was attributable to defendants. It therefore preliminarily enjoined, under Section 43(a) of the Lanham Act, any WTRF advertising that did not disclose that defendants' eastern Ohio restaurants are not associated with the Mark. Alternatively, it ordered defendants to delete all references to the Mark from the WTRF advertising.

The Becker survey elicited no information about the readership of any of the Wheeling newspapers in which defendants placed advertising using the Mark. Frisch's introduced at the hearing on the Motion no evidence on public reaction to the newspaper advertising. Neither did it introduce any evidence that the advertisements were facially false. Evidence on the content and effect of the advertisements was confined to the advertisements themselves.[4] The district court concluded that Frisch's proof with respect to newspaper advertising was "not sufficient to establish a *causal connection* between the public's confusion and defendants' advertising in such media." *Id.* at 711; App. A30 (emphasis in original).

Defendants perfected an interlocutory appeal from the district court's entry of a preliminary injunction with respect to the WTRF advertising. Frisch's cross-appealed from the district court's denial of preliminary injunctive relief with respect to newspaper advertising. The Sixth Circuit in its February 3, 1982, opinion affirmed the dis-

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4. Copies of a sample of the Wheeling newspaper advertisements introduced by Frisch's at the hearing on the Motion appear at A40-A42 of the Appendix.

trict court's entry of preliminary injunctive relief with respect to WTRF advertising and reversed its denial of preliminary injunctive relief with respect to newspaper advertising.

The Sixth Circuit held that defendants' television and newspaper advertising constituted actionable conduct under Section 43(a) of the Lanham Act because it amounted to "passing off" defendants' Ohio restaurants as restaurants associated with the Mark. 670 F.2d at 646-47; App. A7-A8. While acknowledging that defendants' WTRF and Wheelings newspaper advertising was undertaken pursuant to Boury's obligations as a licensee and that defendants' advertising originating in Ohio or used in connection with specific Ohio store locations did not use the Mark, *id.* at 644-46; App. A2, A6, the Sixth Circuit nonetheless held that defendants' West Virginia-originating WTRF and newspaper advertising was enjoinable under Section 43(a).

And even though Frisch's was not engaged in operating restaurants or advertising restaurants in the area reached by the WTRF and newspaper advertising, the Sixth Circuit held that Frisch's had shown a likelihood of irreparable injury sufficient to maintain an action for injunctive relief under Section 43(a) because its right to use of the Mark, regardless of the actual area of use, extended through the entire State of Ohio. *Id.* at 649; App. A12-A13.

Without reviewing or disturbing any of the factual findings of the district court with respect to newspaper advertising, the Sixth Circuit held that the district court's finding of no likelihood of confusion with respect to the newspaper advertising was erroneous. *Id.* at 651; App. A16. It reasoned that likelihood of confusion is a legal determination which could be made by it, the reviewing court, regardless of the district court's factual finding on the issue of confusion. *Id.*; App. A16.

REASONS FOR GRANTING THE WRIT

This case raises fundamental questions about the proper construction and application of an increasingly important federal statute, Section 43(a) of the Lanham Act. The Court has never previously reviewed Section 43(a), and this is an appropriate case for review. The Sixth Circuit's construction of the section conflicts in several crucial respects with decisions of the Second and other Circuits, conflicts with applicable decisions of this Court and with the clear intent of Congress in passing the Lanham Act and improperly substitutes Section 43(a) as a remedy for alleged wrongs affecting federally registered trademarks.

The Decision of the Sixth Circuit Conflicts With Decisions of Other Circuits.

The Sixth Circuit's decision conflicts with decisions of the Second, First and District of Columbia Circuits which require that a Section 43(a) plaintiff demonstrate with specific evidence a likelihood of diversion of sales and damage to its commercial position from the false designation or advertising complained of. It conflicts with a decision of the Second Circuit which requires that the effect of advertising which is not facially false must be shown by actual evidence of consumer reaction. It conflicts with a decision of the Second Circuit which holds that Section 43(a) does not make a failure to disclose actionable. And it conflicts with decisions of the First, Fifth, Eighth and Tenth Circuits which hold that a district court's conclusion as to likelihood of confusion can be disturbed only if it is clearly erroneous under Rule 52(a), Fed. R. Civ. P.

1. By granting preliminary injunctive relief against defendants' advertising, the Sixth Circuit approved a con-

struction of Section 43(a) that eliminates the need for a plaintiff to demonstrate any causal link between the advertising which is the subject of his complaint and threatened injury to his business.

The Court of Appeals for the Second Circuit held in *Johnson & Johnson v. Carter-Wallace, Inc.*, 631 F.2d 186 (1980) ("*Johnson & Johnson*"), that a plaintiff seeking an injunction under Section 43(a) must demonstrate that he is "likely to be damaged as a result of the false advertising" in question. *Id.* at 190. A plaintiff must show "a logical causal connection between the alleged false advertising and its own sales position". *Id.* The Second Circuit referred to this as a "[l]ikelihood of *competitive injury* sufficient to warrant a §43(a) injunction." *Id.* at 191 (emphasis added).

The plaintiff in *Johnson & Johnson* demonstrated "with specific evidence" that the false advertising in question was likely to have an adverse and direct impact on its sales position. *Id.* at 190. It did so by introducing three types of evidence. First, it showed that defendant's share of the market there in question (the hair removal market) had increased since the defendant's allegedly false baby oil advertising began. Second, plaintiff elicited testimony from a consumer witness that she had switched from use of baby oil to NAIR because it was advertised as containing baby oil, and, third, plaintiff introduced survey evidence showing that some people thought after viewing the allegedly false ads that they would not have to use baby oil if they used NAIR. *Id.* at 190-91.

Here, in contrast, Frisch's demonstrated absolutely no connection between defendants' challenged television and newspaper advertising and threatened injury to its sales position. It introduced no evidence on threatened injury. The Sixth Circuit reasoned that this type of evi-

dence was not necessary, however, because, it held, trademark rights extend statewide. 670 F.2d at 649.

The Sixth Circuit's reliance on the commercially arbitrary assumption of statewide trademark use was necessary if it was to affirm the district court's preliminary injunction, because Frisch's had put no evidence before the district court to support even an inference that what the Sixth Circuit viewed as the wrong in this case, passing off, had occurred or was likely to occur.[5] Frisch's failure to adduce any such evidence was not surprising, however, because, as the record did clearly establish, Frisch's was not engaged in business in that part of Ohio reached by the advertising it was challenging, and it did not itself advertise in that area. There could not possibly have been any showing of likelihood of diversion of sales or other damage to its commercial position.

The Second Circuit is not the only Circuit requiring that a Section 43(a) plaintiff come forward with specific evidence of likelihood of diversion of sales and damage to its commercial position. This evidentiary requirement has also been approved in the First and District of Columbia Circuits. *Pignons S.A. v. Polaroid Corp.*, 657 F.2d 482, 493 (1st Cir. 1981); *Gold Seal Co. v. Weeks*, 129 F. Supp. 928,

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5. As this Court has repeatedly held, the essence of a claim of unfair competition or trademark infringement is "the sale of the goods of one manufacturer or vendor for those of another". *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, 412-13 (1916); *Standard Paint Co. v. Trinidad Asphalt Mfg. Co.*, 222 U.S. 446, 462 (1910). Section 43(a) is no different. As the First Circuit stated in *Keebler Co. v. Rovira Biscuit Corp.*, 624 F.2d 366, 378 (1980), the essence of a claim under Section 43(a) is consumer confusion as to source, "i.e., that consumers buy the competitor's product thinking it to be that of the plaintiff." There is a total and complete absence of any such evidence in this record. Instead, the proof established, at the most, only that confusion exists on the part of the public over what products are offered at defendants' different restaurants, not that confusion exists between defendants' products or services and plaintiff's.

940 (D.D.C. 1955), *aff'd per curiam sub nom. S.C. Johnson & Son, Inc. v. Gold Seal Co.*, 230 F.2d 832 (D.C. Cir.), *cert. denied*, 352 U.S. 829 (1956). By holding as it has in this case, the Sixth Circuit has dispensed with any such proof and instead imposed liability on the strength of a commercial fiction, statewide trademark use.

2. The Sixth Circuit not only eliminated any need for plaintiff to show a connection between the advertising in question and adverse impact on its commercial position, but, additionally, it imposed liability under Section 43(a) in the total absence of any demonstration that defendants' newspaper advertising, which was not facially false, caused or was likely to cause confusion or deception when viewed by the consuming public. In total disregard of the district court's specific finding that there was no causal link between the Wheeling newspaper advertising and the customer confusion complained of by Frisch's, the Sixth Circuit nonetheless held that the newspaper advertising was actionable under Section 43(a).

The Sixth Circuit arrived at this result, first, by holding that likelihood of confusion is a question of law for the court of appeals to decide and, second, by reasoning that causation is not determinative of likelihood of confusion. As shown at pages 14-15 below, the Sixth Circuit's first step is contrary to the law in at least four of the other Circuits. The second step stands on the premise, for which there is no authority in the statute, general unfair competition law or even basic principles of tort law, that advertising can be enjoined under Section 43(a) even when the district court has specifically held that there is no causal connection between that advertising and the customer confusion complained of—in short, a total failure of proof of proximate cause.

It was to guard against precisely this type of result that the Second Circuit held in *American Home Products*

Corp. v. Johnson & Johnson, 577 F.2d 160, 165-66 (1978), that unless advertising is actually, facially, false, relief cannot be granted under Section 43(a) "without reference to the reaction of the buyer or consumer of the product". *Id.* at 165, quoting *American Brands, Inc. v. R. J. Reynolds Co.*, 413 F. Supp. 1352, 1356 (S.D.N.Y. 1976).

By holding, as it has here, that defendants' newspaper advertising is actionable even though it was found not to be a cause of customer confusion, the Sixth Circuit has interpreted Section 43(a) in a manner directly in conflict with the Second Circuit and rewritten the statute to impose liability not only without fault but also without causation.

3. By holding that the newspaper advertising was actionable under Section 43(a) because it did not advise the public of the location of restaurants associated with the Mark, the Sixth Circuit has turned Section 43(a) into a remedy for omissions of fact. It is no longer confined to its terms, which make actionable "a false designation of origin, or any false description or representation". Now it also reaches a failure to make a designation, description, representation or statement.

This view of Section 43(a) was explicitly rejected by the Second Circuit in *Alfred Dunhill Limited v. Interstate Cigar Company*, 499 F.2d 232 (1974). There, plaintiff, the manufacturer of Dunhill brand tobacco, sought to enjoin a buyer of salvage tobacco from selling it to the public without labelling it to disclose that it was in fact salvage tobacco and had possibly been water-damaged. The district court granted the injunction requested, 364 F. Supp. 366 (S.D.N.Y. 1973), but the Second Circuit reversed. After noting that the Lanham Act's purpose, as defined in Section 45 (15 U.S.C. §1127), is "exclusively to protect the interests of a purely commercial class against un-

scrupulous commercial conduct," 499 F.2d at 236, quoting *Colligan v. Activities Club of New York*, 442 F.2d 686, 692 (2d Cir.), *cert. denied*, 404 U.S. 1004 (1971), the court of appeals held that Section 43(a) "does not have boundless application as a remedy for unfair trade practices but is limited to false advertising as that term is generally understood." 499 F.2d at 237.

The Second Circuit concluded that Section 43(a) does not impose a duty of disclosure; it does not make omissions actionable. There, as here, there was no showing that the advertising or labelling in question bore any false description or representation. District courts in the Ninth and Third Circuits have similarly concluded that Section 43(a) does not make a failure to disclose actionable. *Universal City Studios, Inc. v. Sony Corp.*, 429 F. Supp. 407, 410 (C.D. Cal. 1977); *John Wright, Inc. v. Casper Corp.*, 419 F. Supp. 292, 326 (E.D. Pa. 1976), *aff'd in part & rev'd in part on other grounds sub nom. Donsco, Inc. v. Casper Corp.*, 587 F.2d 262 (3d Cir. 1978). The Sixth Circuit's holding squarely conflicts with these decisions and *Dunhill* and vastly enlarges the scope of Section 43(a) in contradiction of the text of the statute itself.

4. Finally, in ignoring the district court's finding that the newspaper advertisements did not create any likelihood of confusion, the Sixth Circuit substituted its own judgment for that of the district court. It did so by following the Ninth Circuit's holding in *Alpha Industries, Inc. v. Alpha Steel Tube & Shapes, Inc.*, 616 F.2d 440, 443-44 (1980), that likelihood of confusion is a legal conclusion not subject to review under the clearly erroneous standard of Rule 52(a) of the Federal Rules of Civil Procedure.

The Circuits are divided on whether likelihood of confusion is subject to review under the clearly erroneous

test or is a legal question. The First, Fifth, Eighth and Tenth Circuits have held that likelihood of confusion is a factual determination of the district court reviewable under the clearly erroneous standard of Rule 52(a). *Keebler Company v. Rovira Biscuit Corp.*, 624 F.2d 366, 377 (1st Cir. 1980); *Sun Banks of Florida, Inc. v. Sun Federal Savings & Loan Ass'n*, 651 F.2d 311, 314-15 (5th Cir. 1981); *Squirtco v. Seven-Up Company*, 628 F.2d 1086, 1091 (8th Cir. 1980); *Beatrice Foods Co. v. Neosho Valley Cooperative Creamery Ass'n*, 297 F.2d 447, 449 (10th Cir. 1961). The Sixth Circuit has now joined the Ninth and Second Circuits in holding that likelihood of confusion is a legal question which a court of appeals can decide on its own. *Alpha Industries, Inc. v. Alpha Steel Tube & Shapes, Inc.*, 616 F.2d 440, 443-44 (9th Cir. 1980); *Blue Bell, Inc. v. Jaymar-Ruby, Inc.*, 497 F.2d 433, 435 n.2 (2d Cir. 1974).

Appellate review of the question of likelihood of confusion as a purely legal issue has led in this case to an absurd result, underscoring the soundness of the clearly erroneous standard. Here, despite any finding by the district court that the newspaper advertising was false or deceptive and despite any evidence that the advertising caused or was likely to cause any consumer confusion or deception, the Sixth Circuit reached, in the total absence of any supporting evidence, exactly the opposite conclusion—that the newspaper advertising did create a likelihood of confusion. Section 43(a) could not possibly have been intended by Congress to produce such an irrational result, and if the Sixth Circuit had concluded it were bound by Rule 52(a) there would have been no such result.

The Decision Conflicts With Applicable Decisions of This Court.

The decision of the Sixth Circuit conflicts with this Court's holdings that federal statutes do not depend upon state law for their content and application and that trademark rights are protectible only when associated with a plaintiff's actual business activities.

1. There is broad agreement among the courts of appeals that Section 43(a) is a *sui generis* federal statutory tort. *E.g., Chevron Chemical Company v. Voluntary Purchasing Groups, Inc.*, 659 F.2d 695, 702 (5th Cir. 1981), *petition for cert. filed*, No. 81-1387 (U.S. Jan. 21, 1982); *Keebler Company v. Rovira Biscuit Corp., supra*, 624 F.2d at 372-73; *L'Aiglon Apparel, Inc. v. Lana Lobell, Inc.*, 214 F.2d 649, 651 (3d Cir. 1954). As this Court has repeatedly held, the content and application of a federal statute do not depend upon the law of the state in which the district court sits. When Congress enacts a statute, it is "not making the application of the federal act dependent on state law" unless there is a clear and explicit indication to the contrary. *Jerome v. United States*, 318 U.S. 101, 104 (1943).[6]

This principle of statutory construction finds express recognition in the legislative history of the Lanham Act itself:

> The theory once prevailed that protection of trademarks was entirely a State matter and that the right to a mark was a common-law right. This theory was the basis of previous national trade-mark statutes. Many years ago the Supreme Court held and has

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6. *Accord, e.g., NLRB v. Natural Gas Utility District*, 402 U.S. 600, 603 (1971); *MacGregor v. Westinghouse Electric & Manufacturing Co.*, 329 U.S. 402, 407 (1947).

recently repeated that there is no Federal common law. It is obvious that the States can change the common law with respect to trade-marks and many of them have, with the possible result that there may be as many different varieties of common law as there are States. *A man's rights in his trade-mark in one State may differ widely from the rights which he enjoys in another.*

However, trade is no longer local, but is national. Marks used in interstate commerce are properly the subject of Federal regulation. It would seem as if national legislation along national lines securing to the owners of trade-marks in interstate commerce definite rights should be enacted and should be enacted now.

There can be no doubt under the recent decisions of the Supreme Court of the constitutionality of a national act giving substantive as distinguished from merely procedural rights in trade-marks in commerce over which Congress has plenary power, and when it is considered that the protection of trade-marks is merely protection to goodwill, to prevent diversion of trade through misrepresentation, and the protection of the public against deception, a sound public policy requires that trade-marks should receive nationally the greatest protection that can be given them.

H. R. Rep. No. 219, 79th Cong., 1st Sess. 4 (1945) (emphasis added). Congress' objective in passing the Lanham Act, of which Section 43(a) is a part, was to eliminate state differences in trademark protection and to put in their place "national legislation along national lines" for a uniform federal law. *See generally* Note, *The Problem of Functional Features: Trade Dress Infringement Under*

Section 43(a) of the Lanham Act, 82 COLUM. L. REV. 77, 86-90 (1982).

The Sixth Circuit has, however, construed Section 43(a) in a way that will make its application and content vary from state to state and Circuit to Circuit, depending upon state law. In holding, as it has, that Frisch's has shown a likelihood of injury sufficient to support an injunction under Section 43(a) because under Ohio law, as announced in *Younker v. Nationwide Mutual Insurance Company*, 191 N.E.2d 145 (Ohio 1963), and under a pre-Lanham Act Sixth Circuit case, *Socony-Vacuum Oil Co. v. Oil City Refiners, Inc.*, 136 F.2d 470 (6th Cir.), *cert. denied*, 320 U.S. 798 (1943), trademark rights in Ohio are entitled to statewide protection regardless of the area of actual use of a mark, the Sixth Circuit has not only interpreted Section 43(a) in precisely the manner sought to be avoided by Congress when it passed the Lanham Act but has also done so in conflict with applicable decisions of this Court holding that rights under federal statutes are not controlled by vagaries of state law.

By so holding, the Sixth Circuit has made standing under Section 43(a) a function of whether a plaintiff resides in a state which recognizes the commercially arbitrary rule that trademark rights extend statewide,[7] a rule which, as Professor McCarthy has observed, is "grossly unrealistic" and has been specifically rejected by many courts. 2 J. MCCARTHY, TRADEMARKS AND UNFAIR COMPETITION §26:12 at 223-24 (1973).

Not only does this holding conflict with *Jerome v. United States* and other comparable decisions of this Court, but it also directly conflicts with the Seventh Circuit's

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7. This rule of statewide rights has in the past drawn much of its vitality from *dicta* in Justice Holmes' concurring opinion in *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, 426 (1916).

holding in *Burger King of Florida, Inc. v. Hoots*, 403 F.2d 904, 907-08 (1968), that state law on entitlement to statewide trademark protection must yield before the Lanham Act. *See also Sutton Cosmetics (P.R.), Inc. v. Lander Co.*, 455 F.2d 285, 289 (2d Cir. 1972) (Section 43[a] injunction limited to Dade County, Florida, metropolitan New York City and Puerto Rico). *Cf. Food Fair Stores, Inc. v. Square Deal Market Co.*, 206 F.2d 482, 484-85 (D.C. Cir. 1953) (statewide protection test rejected in diversity case).

2. The Sixth Circuit's recognition, and importation into Section 43(a), of the statewide use presumption also squarely conflicts with the elementary trademark principle applied by this Court in *United Drug Company v. Theodore Rectanus Company*, 248 U.S. 90 (1918), that trademark rights do not exist "in gross or at large", *id.* at 97, but instead, exist only as "a right appurtenant to an established business or trade in connection with which the mark is employed", *id.* The Court there, in reversing a decision by the Circuit Court of Appeals for the Sixth Circuit, specifically rejected plaintiff's request that its right to use of a mark be extended into an area beyond that in which it actually engaged in business:

> To hold otherwise—to require Rectanus to retire from the field upon the entry of Mrs. Regis' successor—would be to establish the right of the latter as a right in gross, and to extend it to territory wholly remote from the furthest reach of the trade to which it was annexed . . . .

Id. at 101. Yet this is precisely what the Sixth Circuit has approved in this case (and what the Second Circuit declined to do in *Sutton Cosmetics (P.R.), Inc. v. Lander Co., supra*, 455 F.2d at 289)—the granting of injunctive relief to regulate trade in a geographic area where Frisch's does not advertise or engage in business.

This Case Raises Important Questions of Federal Law Which Have Not Been, but Should Be, Settled by This Court.

The Sixth Circuit's holding raises fundamental and far-reaching questions about Section 43(a), a federal statutory tort of enormous, and increasing, significance.[8] The section has moved to the center stage of federal unfair competition and trademark law and occupies a position there not unlike that occupied by Section 10(b) of the Securities Exchange Act (15 U.S.C. §78j[b]) in the field of securities law, but this Court has never considered or construed it.

Guidance from this Court is needed not only to resolve the significant conflicts between the Sixth Circuit's decision and the decisions of this Court and of other courts of appeals detailed above, but also to address an issue of fundamental importance underlying this entire case: whether Section 43(a) has application to a dispute over the use of a federally registered mark.

Frisch's alleges in its amended complaint that the same conduct which is the subject of its Section 43(a) claim constitutes trademark infringement under Section 32(1) of the Lanham Act (15 U.S.C. §32[1]). Congress specifically defined in Section 32(1) of the Lanham Act the protection available for federally registered marks.[9]

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8. A review of the trend of decisions by the courts of appeals construing or applying Section 43(a) shows that Judge Clark's earlier observation, in 1956, that the section's potential had yet to be discovered by the practicing bar, is no longer true. *Maternally Yours, Inc. v. Your Maternity Shop, Inc.*, 234 F.2d 538, 546 (2d Cir. 1956) (Clark, J., concurring). While the United States Code Annotated shows that the courts of appeals decided some 21 cases under Section 43(a) in 1970 through 1978, there were 34 such decisions in 1979 through 1981 alone (six in 1979, 15 in 1980 and 13 in 1981).

9. Section 32(1) is reproduced at A43 of the Appendix.

Section 43(a), on the other hand, does not refer at all to either marks or registered marks.[10]

With the exception of Section 43 and Section 44 (unfair competition in international trade), the provisions of the Lanham Act relate exclusively to federal registration of marks and remedies for infringement of those registered marks. To assume that Congress intended Section 43(a) to apply to registered marks after having so carefully and meticulously, section-by-section, defined in the balance of the Lanham Act the rights and remedies incident to federal registration makes the rest of the Act mere surplus. Rather, as Professor Germain has concluded, Section 43(a) should not apply to "cases of mere passing-off or infringement of registered or unregistered trademarks". Germain, *Unfair Trade Practices Under Section 43(a) of the Lanham Act: You've Come a Long Way, Baby—Too Far, Maybe?* 64 TRADEMARK RPTR. 193, 221 (1974).

Yet, Section 43(a) has here been applied by the Sixth Circuit to resolve what is essentially a dispute between licensees of a federally registered trademark owner, Marriott, over the circumstances under which they can use the trademark. This dispute, which can more properly be characterized as one arising out of contract (but which the lower courts have refused to view as a contract dis-

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10. While the lower courts have repeatedly held that federal registration of a mark is not a precondition to an action under Section 43(a), *see, e.g., Boston Professional Hockey Ass'n v. Dallas Cap & Emblem Mfg., Inc.*, 510 F.2d 1004, 1010 (5th Cir.), *cert. denied*, 423 U.S. 868 (1975); *DCA Food Industries, Inc. v. Hawthorn Mellody, Inc.*, 470 F. Supp. 574, 578-79 (S.D.N.Y. 1979), and have occasionally invoked Section 43(a) where the subject matter of the action is a federally registered mark, *see, e.g., Quabaug Rubber Co. v. Fabiano Shoe Co.*, 567 F.2d 154 (1st Cir. 1977); *FRA S.p.A. v. Surg-O-Flex of America, Inc.*, 415 F. Supp. 421, 425-26 (S.D.N.Y. 1976), they have never considered whether federally registered marks are outside the reach of Section 43(a).

pute), centers on rights inhering in a federally registered trademark, BIG BOY, and it directly implicates Section 32(1) of the Lanham Act, not Section 43(a). To reach this dispute through Section 43(a) elevates the section over the balance of the Act and makes superfluous Section 32(1) and the other provisions of the Act defining the rights and duties of owners of federally registered marks. If the Sixth Circuit's application of Section 43(a) is followed by other courts, the section will quickly and inevitably swallow up the balance of the Act, a result Congress could not possibly have intended.

CONCLUSION

For all of the foregoing reasons, the Court should grant the petition and issue a writ of certiorari to the Court of Appeals for the Sixth Circuit.

Respectfully submitted,

THOMAS J. COLLIN
(Counsel of Record)
THOMPSON, HINE AND FLORY
1100 National City Bank Building
Cleveland, Ohio 44114
216/566-5500
Counsel for Petitioners

RAY A. BYRD
SCHRADER, STAMP, BYRD, BYRUM,
JOHNSON & COMPANION
816 Central Union Building
Wheeling, West Virginia 26003
304/233-3390

KEITH A. SOMMER
SOMMER & ANTILL
409 Walnut Street
Post Office Box 279
Martins Ferry, Ohio 43935
614/633-5551
Of Counsel

Dated: April 28, 1982

Appendix

APPENDIX

OPINION OF THE COURT OF APPEALS FOR THE SIXTH CIRCUIT

(Filed February 3, 1982)

Nos. 81-3095, 81-3098

UNITED STATES COURT OF APPEALS
FOR THE SIXTH CIRCUIT

FRISCH'S RESTAURANTS, INC.,
Plaintiff-Appellee, Cross-Appellant,

v.

ELBY'S BIG BOY OF STEUBENVILLE, INC.; THE BOURY CORPORATION; ELBY'S FAMILY RESTAURANTS, INC.; ELBY'S COMMISSARY, INC.; GEORGE BOURY, ELLIS BOURY and DAVID CARR,
Defendants-Appellants, Cross-Appellees.

On Appeal From the United States District Court for the Southern District of Ohio, Eastern Division.

Before: WEICK* and BROWN, *Circuit Judges;* PRATT, *District Judge.***

BAILEY BROWN, *J.* Marriott Corporation is the owner of the "Big Boy" trademark and service mark, which is

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*On December 31, 1981 Judge Weick retired from regular active service under 28 U.S.C. § 371(b) and became a Senior Circuit Judge.

**The Honorable Philip Pratt, United States District Judge for the Eastern District of Michigan, sitting by designation.

used by a network of family restaurants around the country. The plaintiff, Frisch's Restaurants, Inc. (Frisch's), has the exclusive license from Marriott to use these marks in Ohio and currently operates eighty restaurants in Ohio under the Big Boy trademark. One of the defendants, The Boury Corporation, operates the network of "Elby's Family Restaurants" in western Pennsylvania (five restaurants), northern West Virginia, referred to in the record as "the panhandle," (seven restaurants), and eastern Ohio (eight restaurants in six different cities). The Boury Corporation holds the exclusive right to use the Big Boy trademark in the panhandle of West Virginia and in most of western Pennsylvania. Prior to 1971, the Elby's Restaurants in eastern Ohio were authorized under a franchise agreement with Frisch's to use the Big Boy trademark, but that agreement was terminated at Elby's request in late 1971.

When the Ohio Elby's restaurants continued to use the Big Boy trademark after the franchise agreement was terminated, Frisch's sought and obtained a preliminary injunction from the West Virginia Supreme Court of Appeals in 1973, enjoining the Ohio Elby's organization from using the Big Boy trademark "in any manner whatsoever in connection with [Elby's] business operations within the State of Ohio." The Ohio Elby's restaurants have avoided using the Big Boy trademark in their restaurants and in Ohio advertising media since that time. However, the present action by Frisch's challenges the spillover effects of Elby's West Virginia advertising utilizing the Big Boy trademark. This advertising reaches eastern Ohio consumers and allegedly creates the false impression that Big Boy products are available at the Ohio Elby's restaurants as well as Elby's West Virginia operations.

The Ohio and the West Virginia Elby's restaurants conduct joint advertising and promotional campaigns under the direction of the parent corporation. A major avenue of media advertisement is the Wheeling, West Virginia television station WTRF. Most of Elby's commercials on WTRF which advertise for the entire chain contain a pictorial representation of the Big Boy figure,[1] advertise "Big Boy" food items, or contain jingles which strongly identify all Elby's Family Restaurants with the Big Boy trademark. However, whenever a specific Ohio Elby's restaurant is advertised on WTRF or another West Virginia medium, no reference to the Big Boy trademark is made.

The WTRF signal is broadcast from Bridgeport, Ohio, across the Ohio River from Wheeling, West Virginia, and is widely received by television viewers in certain counties in the eastern portion of Ohio. Under their reciprocal advertising agreements with WTRF, the Ohio Elby's restaurants have erected billboards on their restaurant properties directing the attention of their Ohio customers to Elby's advertisements on station WTRF. These Ohio Elby's restaurants also utilize various in-store promotional devices, including matchbooks and sugar packets, advertising station WTRF.

The Elby's chain also places newspaper advertisements in newspapers published in Wheeling, West Virginia which have considerable circulation in the counties of eastern Ohio where the Elby's restaurants are located. These advertisements publicize food items and specials available at all Elby's Family Restaurants with the aid of the Big Boy trademark.

Frisch's filed a complaint against the Elby's organization and related corporations in an Ohio state court on

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1. This boy is rather chubby and somewhat cherubic in appearance.

November 27, 1978, alleging federal trademark infringement, breach of its prior franchise agreement with the Ohio Elby's restaurants, and a violation of Ohio's "Deceptive Trade Practices Act." Elby's removed the action to the United States District Court for the Southern District of Ohio. Frisch's amended its complaint on February 21, 1980, adding state law trademark infringement and common law unfair competition as well as § 43(a) of the Lanham Act (15 U.S.C. § 1125(a) (1976)) claims to its previous allegations. Frisch's had previously demanded a permanent injunction against Elby's advertisements; its amended complaint sought for the first time a preliminary injunction.

Frisch's moved for a preliminary injunction on October 21, 1980, requesting that Elby's be enjoined from using the Big Boy trademark in "any advertising medium that reaches a not insubstantial number of Ohioans" without disclosing Ohio Elby's disaffiliation with the Big Boy restaurant organization. On January 20, 1981, District Judge Robert M. Duncan, in an opinion reported at 514 F.Supp. 704 (S.D. Ohio 1981), issued a preliminary injunction enjoining Elby's from "using the 'Big Boy' trademark and service mark in their WTRF advertising without making a prominent disclosure that the Elby's Family Restaurants within the state of Ohio are not associated with the 'Big Boy' restaurant organization. Alternatively, defendants may wish to eliminate *all* reference to the 'Big Boy' mark on WTRF advertisements." *Id.* at 712. Judge Duncan based his holding solely on "the unfair competition provisions of [§ 43(a) of] the Lanham Act, 15 U.S.C. § 1125 (a)," *id.*, and expressed no view on Frisch's alternative theories of recovery. However, Judge Duncan refused to extend his preliminary injunction to Elby's newspaper and radio advertisements, noting that Frisch's failed to establish a "*causal connection* between the public's confusion [the con-

fusion of eastern Ohio consumers over the availability of Big Boy products at Ohio Elby's restaurants] and defendants' advertising in such media." *Id.* at 711 (emphasis in original). Elby's has appealed the grant of the WTRF preliminary injunction, and Frisch's cross-appealed the district court's failure to enjoin Elby's newspaper advertisements.[2]

Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a) (1976), provides:

> Any person who shall . . . use in connection with any goods or services . . . a false designation of origin, or any false description or representation, including words or other symbols tending falsely to describe or represent the same, and shall cause such goods or services to enter into commerce . . . shall be liable to a civil action by any person doing business in the locality falsely indicated as that of origin or in the region in which said locality is situated, or by any person who believes that he is or is likely to be damaged by the use of any such false description or representation.

The intent of the Lanham Act is set forth in § 45 thereof, 15 U.S.C. § 1127 (1976):

> The intent of this chapter is to regulate commerce within the control of Congress by making actionable the deceptive and misleading use of marks in such commerce . . . [and] to protect persons engaged in such commerce against unfair competition . . . .

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2. The district court specifically declined to grant injunctive relief concerning Elby's newpaper and radio advertisements. While Frisch's notice of appeal is broad enough to cover the failure to grant relief as to radio as well as newspaper advertisements, Frisch's briefs on appeal have only addressed the issue of Elby's newspaper advertisements.

It has been suggested that § 43(a) of the Lanham Act "created a *sui generis* federal statutory cause of action for 'false representation,' " *Chevron Chemical Co. v. Voluntary Purchasing Groups, Inc.*, 659 F.2d 695, 702 (5th Cir. 1981). The Fifth Circuit also concluded that "§ 43(a) proscribes not only what had been considered 'false advertising' but also what had been differentiated as 'unfair competition.' " *Id.* In addition, the *Chevron Chemical* court described the distinctions between these two concepts:

> In sum, the essential misrepresentation in "false advertising," which we have noted forms the basis of the "false representation" leg of § 43(a), is fundamentally different from the essential misrepresentation in "unfair competition": in the former case, the defendant makes no secret of the origin of the goods in himself, but merely misrepresents certain qualities or characteristics that his goods may or may not have; in the latter case, the defendant misrepresents his goods to be those of another.

Id. at 701 (footnote omitted).

It is undisputed that Elby's has a right to use the Big Boy trademark in connection with its West Virginia operations; indeed, it has an obligation to promote the Big Boy trademark in the panhandle of West Virginia under its licensing agreement with Marriott. It is also undisputed that the Ohio Elby's restaurants have no right to use the Big Boy trademark. Frisch's contends that the Ohio Elby's restaurants, through their participation in Elby's West Virginia advertisements which have substantial exposure in eastern Ohio, are improperly using the Big Boy trademark to promote their products, thereby creating a "false designation of origin" or a "false description or representation" of their goods as being sponsored

by the Big Boy organization in the minds of Ohio consumers in violation of § 43(a).

We conclude that Frisch's contentions are properly within the scope of § 43(a) of the Lanham Act. Frisch's primary concern is that Ohio consumers will assume that all Elby's restaurants, including the Ohio Elby's, sell food which is sponsored by or originates from the "Big Boy" chain of restaurants. This court previously concluded that false representations about the "origin of source or manufacture" of goods are prohibited by the "false designation of origin" clause of § 43(a). *Federal-Mogul-Bower Bearings, Inc. v. Azoff*, 313 F.2d 405, 408 (6th Cir. 1963). "[F]alse representations of the source of a product constitute the common-law tort of 'unfair competition,' or as it is otherwise known, 'passing off.'" *Chevron Chemical Co., supra*, at 701.[3] Passing off involves "defendant's use of plaintiff's well-known product name, symbol, or familiar packaging to attract the public to the product under the assumption that it is the plaintiff's product which is bought." Comment, *The Present Scope of Recovery for Unfair Competition Violations Under Section 43(a) of the Lanham Act*, 58 NEB. L. REV. 159, 163 (1978). As we have

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3. The Fifth Circuit has tied passing off to the "false description or representation" strand of § 43(a), contending that a "false designation of origin" refers only to misrepresentations of geographic origin and not manufacture or source origin. *Chevron Chemical, supra* at 700. However, this court held that passing off can be considered a "false designation of origin." *Federal-Mogul-Bower Bearings, supra* at 408. Nevertheless, whether characterized as a "false description or representation" or a "false designation of origin," there is no disagreement that § 43(a) would apply to prohibit an attempt by Elby's to pass off the food products of its Ohio restaurants as Big Boy sponsored goods. *See, e.g., Chevron Chemical supra; Warner Bros., Inc. v. Gay Toys, Inc.*, 658 F.2d 76 (2d Cir. 1981) (toy manufacturer's attempt to pass off its toy automobiles as sponsored by popular television series prohibited by § 43(a)); *Federal-Mogul-Bower Bearings, supra.*

previously determined, attempts at passing off are prohibited by § 43(a); indeed, the Lanham Act provides:

> a right of action to persons engaged in interstate and foreign commerce, against . . . deceptive and misleading use of words, names, symbols, or devices, or any combination thereof, which have been adopted by a manufacturer or merchant to identify his goods and distinguish them from those manufactured by others, where such misleading use is carried on, in the channels of interstate and foreign commerce, which is subject to regulation by Congress.

Federal-Mogul-Bower Bearings, supra at 409.

The district court properly held that the standard of proof needed to prevail in a § 43(a) action for injunctive relief was a showing of "likelihood of confusion."

> Although it is necessary to prove that the buying public was actually deceived in order to recover damages under § 43(a) of the Lanham Act, *Skil Corp. v. Rockwell International Corp.*, 375 F.Supp. 777 (N.D. Ill.1974), only a likelihood of confusion or deception need be shown in order to obtain equitable relief. *Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd.*, [604 F.2d 200 (2d Cir. 1979)]. Here, since equitable relief is sought, only the likelihood of confusion need be shown, and not proof of actual confusion as was required by the District Court.

Warner Bros., Inc., supra at 79. This likelihood of confusion need not arise from intentional conduct; furthermore, a mere showing that advertisements tend to create a false impression is sufficient to warrant injunctive relief.

> Under § 43(a) of the Lanham Act it is not necessary to show that any false description or representa-

> tion is wilful or intentional. *Parkway Baking Co. v. Freihofer Baking Co.*, 255 F.2d 641, 648 (3d Cir. 1958). All that is required is that the representation or descriptions either be "false" or such as is "tending falsely to describe or represent the goods or services in question." *Ames Publishing Co. v. Walker-Davis Publications, Inc.*, 372 F. Supp. 1, 11 (E.D.Pa. 1974). Thus, liability is not restricted solely to descriptions which are literally false, but extends to instances where the defendant creates a false impression. *Id.*

Walker-Davis Publications, Inc. v. Penton/IPC, Inc., 509 F. Supp. 430, 435 (E.D. Pa. 1981).[4]

In *Toho Company, Ltd. v. Sears, Roebuck & Co.*, 645 F.2d 788 (9th Cir. 1981), the Ninth Circuit delineated eight factors which are helpful in demonstrating that there is a likelihood of confusion among consumers:

> In *AMF Inc. v. Sleekcraft Boats*, 599 F.2d 341, 348 (9th Cir. 1979), we set forth eight factors that are relevant to the likelihood of confusion:
>
> 1. strength of the plaintiff's mark;
> 2. relatedness of the goods;
> 3. similarity of the marks;

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4. *Accord, CBS, Inc. v. Springboard International Records*, 429 F.Supp. 563 (S.D.N.Y. 1976); *CBS, Inc. v. Gusto Records, Inc.*, 403 F.Supp. 447 (M.D. Tenn. 1974); *Rich v. RCA Corp.*, 390 F. Supp. 530 (S.D.N.Y. 1975) (release of collection of old Charlie Rich recordings done in his old style with a current photograph of Charlie Rich on the cover created false impression that record was done in Rich's contemporary style; violation of § 43(a) found by three separate district courts); J. McCarthy, Trademarks & Unfair Competition, § 27:7 at 255 (1973) ("[Section] 43(a) does not require literal falsity for liability"); Germain, *Unfair Trade Practices Under Section 43(a) of the Lanham Act: You've Come a Long Way, Baby—Too Far, Maybe?*, 49 Ind. L.J. 84, 96 (1973) (" 'literal' truth is probably not a defense [to a § 43(a) claim]). A false impression may be found to violate the section. . . . ".

4. evidence of actual confusion;
5. marketing channels used;
6. likely degree of purchaser care;
7. defendant's intent in selecting the mark;
8. likelihood of expansion of the product lines.

Id. at 790.

In considering these factors, the unique factual setting with which we are concerned militates strongly towards likelihood of confusion. Although the strength of the Big Boy mark was not addressed by the district court, we presume that it is a distinctive and desirable mark from Elby's attempts to implant in the public mind the idea that all of its restaurants are affiliated with the Big Boy mark. The parties are competing restaurant chains using the identical trademark to promote related if not identical goods; additionally, it is likely that the marketing methods used to promote the fast-food products served by both chains are substantially similar. All these factors contribute to the likelihood of confusion about the Ohio Elby's restaurants' association with the Big Boy trademark.

The district court determined that there was actual confusion among eastern Ohio consumers about the availability of Big Boy products at Ohio Elby's restaurants. 514 F. Supp. at 708-09. This finding was supported by evidence from Frisch's expert witness, who testified about a survey he conducted which indicated that Elby's television advertisements contributed to confusion over the connection of the Big Boy organization with the Ohio Elby's restaurants. The Fifth Circuit deduced that while "evidence of actual confusion is not necessary to a finding of likelihood of confusion, it is nevertheless the best evidence of likelihood of confusion." *Amstar Corp. v.*

Domino's Pizza, Inc., 615 F.2d 252, 263 (5th Cir.), *cert. denied*, 449 U.S. 899 (1980).[5]

The casual "degree of purchaser care" in selecting fast-food restaurants also supports a conclusion of likelihood of confusion. The "fast-food" products promoted by Elby's are not likely to be the object of intensive consumer research, but rather subject to "impulse buying;" therefore, it is highly unlikely that Ohio consumers will discover their mistake about the availability of Big Boy products in Ohio Elby's restaurants before patronizing Elby's.

The Fifth Circuit's comments on the intent factor are equally supportive of likelihood of confusion:

> *Intent*: we stated in *Amstar* that the "intent of defendants in adopting [their mark] is a critical factor, since if the mark was adopted with the intent of deriving benefit from the reputation of [the plaintiff,] *that fact alone may be sufficient to justify the inference that there is confusing similarity.*" *Amstar Corp., supra*, 615 F.2d at 263 (emphasis added).

Chevron Chemical Co., supra at 703-04. The district court found that "the defendants intentionally associate Ohio Elby's restaurants with the 'Big Boy' mark," since "the Ohio Elby's restaurants are in fact direct participants in the reciprocal advertising agreement with WTRF," they "actively encourage Ohio consumers to 'watch for Elby's specials on WTRF' . . . where the television advertisement frequently identifies the Elby's Family Restaurant with the 'Big Boy' mark" and "[a] variety of in-store promotional material including matchbooks and sacks also di-

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5. Indeed, it is difficult to conceive of a situation where a showing of substantial actual confusion would not result in a legal conclusion of likelihood of confusion. This is not a case involving "minimal" or "isolated" instances of actual confusion such as were involved in *Amstar Corp., supra* at 263.

rects the Ohio consumer to WTRF." 514 F. Supp. at 710. The district court correctly inferred that Elby's improperly intended to "derive benefit" from the Big Boy trademark for their Ohio operations through coupling the entire chain to the trademark.

Finally, the past association of the Ohio Elby's restaurants with the Big Boy trademark through their expired licensing agreement with Frisch's increases the likelihood that consumers would be confused about whether the Ohio Elby's restaurants continued to be linked with the Big Boy organization. It is evident from their actions that the Ohio Elby's restaurants hoped to reinforce the residual effects of Ohio consumer memories of their past affiliation with the Big Boy trademark by tying in with the legitimate West Virginia Big Boy advertisements thereby obscuring their disaffiliation with the Big Boy trademark.

The preceding factors led the district court to conclude that a likelihood of confusion existed with regard to Elby's television advertisements. However, Elby's contends that the district court erred in even applying § 43(a) to the facts of this case, and broadly attacks the district court's ruling.

Elby's first argues that Frisch's does not have standing to bring this suit because Frisch's does not operate any restaurants in the eastern Ohio area where the confusion about Big Boy products is prevalent. However, it is evident that Frisch's suffers a cognizable injury in this instance because it would have to combat consumer misperceptions about the availability of Big Boy products if it were to expand into the area itself or license restaurants in that area to operate under the Big Boy trademark. The Ohio Supreme Court has recognized that a trademark is entitled to protection throughout the entire state even though its owner is currently operating only in one part

of the state. *Younker v. Nationwide Mutual Ins. Co.*, 175 Ohio St. 1, 191 N.E.2d 145 (1963). More to the point, this court in *Socony-Vacuum Oil Co. v. Oil City Refiners, Inc.*, 136 F.2d 470 (6th Cir.), *cert. denied*, 320 U.S. 798 (1943), determined that the user of a trademark "was entitled to the exclusive use of the name within the entire state as territory which may reasonably be anticipated to be within normal business expansion . . . ." *Id.* at 475. *Accord, Grocers Baking Co. v. Sigler*, 132 F.2d 498, 502 (6th Cir. 1942).

The issue of standing to sue under § 43(a) is closely related to the statute's declaration that a § 43(a) plaintiff includes one "who believes that he is or is likely to be damaged by the use of any such false description or representation." 15 U.S.C. § 1125(a) (1976). The Second Circuit explained the burden of proof such a plaintiff must meet to be entitled to injunctive relief:

> On the one hand, despite the use of the word "believes," something more than a plaintiff's mere subjective belief that he is injured or likely to be damaged is required before he will be entitled even to injunctive relief. See, *Chromium Industries v. Mirror Polishing & Plating*, 448 F.Supp. 544, 554 (N.D. Ill.1978); *D.M. Antique Import Corp. v. Royal Saxe Corp.*, 311 F.Supp. 1261, 1269 n. 6 (S.D.N.Y.1970). On the other hand, as the district court in this case recognized, a plaintiff seeking an injunction, as opposed to money damages, need not quantify the losses actually borne.

Johnson & Johnson v. Carter-Wallace, Inc., 631 F.2d 186, 189 (2d Cir. 1980).

The Second Circuit further elaborated on these requirements:

> The statute demands only proof proviidng a reasonable basis for the belief that the plaintiff is likely to be demaged as a result of the false advertising. The correct standard is whether it is *likely* that Carter's advertising has caused or will cause a loss of Johnson sales, not whether Johnson has come forward with specific evidence that Carter's ads actually resulted in some definite loss of sales. *Parkway Baking Co. v. Freihofer Baking Co.*, 255 F.2d 641, 649 (3rd Cir. 1958); *Ames Publishing Co. v. Walker-Davis Publications, Inc.*, 372 F.Supp. 1, 13 (E.D.Pa.1974); 2 J.T. McCarthy, *Trademarks and Unfair Competition* § 27:5 at 249-50 (1973). Contrary to Johnson's argument, however, the likelihood of injury and causation will not be presumed, but must be demonstrated. If such a showing is made, the plaintiff will have established a reasonable belief that he is likely to be damaged within the meaning of § 43(a) and will be entitled to injunctive relief, as distinguished from damages, which would require more proof.

Id. at 190. In this instance, where Frisch's has demonstrated that it has a cognizable interest in protecting its Ohio trademark rights, and a showing of a likelihood of confusion about the origin and sponsorship of the products of Ohio Elby's restaurants has been made, Frisch's has demonstrated the "likelihood of injury and causation" for injunctive relief without the need for showing an actual loss of business to Frisch's restaurants.

Elby's also protests the imposition of an injunction requiring disclosures under § 43(a), claiming that § 43(a) does not cover its failure to disclose that its Ohio restaurants are not connected with the Big Boy trademark. However, the district court found that

> the Ohio Elby's affirmative participation in the WTRF reciprocal advertising campaign involves far more than

> simple nondisclosures and is accordingly within the purview of Section 43(a) . . . . Standing alone, neither the Ohio Elby's WTRF billboards nor the advertisements on WTRF-TV say that Ohio Elby's are "Big Boy" restaurants. Functioning together, however, the billboards and TV advertisements create the likely impression in the consumer that "Big Boy" products are available at Ohio Elby's.

514 F.Supp. at 710. When Elby's advertisements reached the Ohio consumers, they affirmatively misrepresented an affiliation of the local Elby's restaurants in Ohio with the Big Boy trademark. Since Elby's was directly responsible for the false impressions generated about the Ohio Elby's restaurants' connection with Big Boy products, it was properly within the district court's discretion to require Elby's to disclose information that would correct those false impressions. *See, e.g., CBS Inc. v. Springboard International Records*, 429 F.Supp. 563 (S.D.N.Y. 1976), *CBS, Inc. v. Gusto Records, Inc.*, 403 F.Supp. 447 (M.D. Tenn. 1974) (district courts ordered disclosures about release of collection of old Charlie Rich songs).

The district court was accordingly justified in determining that a "likelihood of confusion" existed, warranting injunctive relief against Elby's television advertisements.

The district court, however, failed to properly utilize the "likelihood of confusion" standard with respect to Elby's newspaper and radio advertisements: "Plaintiff's proof relative to defendants' advertising in newspapers and on radio is not sufficient to establish a *causal connection* between the public's confusion and defendants' advertising in such media. No proof comparable to the Becker Study has been presented for other media." 514 F.Supp. at 711. Because Frisch's did not prove through its consumer survey that Ohio consumers were actually confused by Elby's newspaper advertisements, the district court con-

cluded that "likelihood of confusion" was not present. As before pointed out, however, the existence of actual confusion is only one factor in determining whether likelihood of confusion is present.

This failure by the district court properly to apply the likelihood of confusion standard to the newspaper advertising was an error of law and therefore, to this extent, an abuse of discretion. *United States v. Colahan*, 635 F.2d 564 (6th Cir. 1980), *cert. denied*, 50 U.S.L.W. 3246 (Oct. 5, 1981). The question remains, however, whether a reversal and remand for a further factual determination is required or whether this court can determine on this record that Frisch's is entitled to injunctive relief as to the newspaper advertising.

The Ninth Circuit has developed a two-level test for reviewing lower court findings of likelihood of confusion.

> In assessing whether there is likelihood of confusion, a court first considers numerous factors and then, based thereon, determines whether there exists a likelihood of confusion. With the analysis so structured, the *J. B. Williams* and *AMF, Inc.* courts held that the determination of what is the state of affairs regarding each factor (a "foundational fact") is a finding of fact reviewed on the clearly erroneous standard, but the further determination of likelihood of confusion based on those factors is a legal conclusion. *See J. B. Williams*, 523 F.2d at 191-92; *AMF, Inc.*, 599 F.2d at 348-54 (applying two-level test as described here).

Alpha Industries, Inc. v. Alpha Steel Tube & Shapes, Inc., 616 F.2d 440, 443-44 (9th Cir. 1980).

Applying this test, with which we agree, to the facts that are not in dispute and as found by the district court, we conclude that Frisch's is entitled to injunctive relief

as to the newspaper advertising. Even without evidence of actual consumer confusion, examination of the other factors which are not in dispute, i.e., intent, likely degree of purchaser care, and the unavoidable confusion resulting from the use of identical trademarks in similar marketing channels, inexorably leads to the "legal conclusion" that confusion is just as likely to result from Elby's newspaper advertisements as from their television advertisements. *See, e.g., Chevron Chemical Co., supra* at 705 ("the lack of evidence of actual confusion did not militate strongly against a finding of likelihood of confusion" when the other factors were also taken into account). Furthermore, the district court did find as a foundational fact that there was actual confusion among Ohio consumers about the availability of Big Boy products in Ohio Elby's restaurants; the only dispute concerned the causes of that confusion. In determining the proper scope of relief, we should recall that "§ 43(a) of the Lanham Act is remedial in nature, and should be interpreted and applied broadly so as to effectuate its remedial purpose." *Warner Bros., supra* at 79. Because the ultimate determination of "likelihood of confusion" is a legal conclusion reviewable *de novo* by this court, *J. B. Williams Co. v. Lee Conte Cosmetics, Inc.*, 523 F.2d 187, 190 (9th Cir. 1975), *cert. denied*, 424 U.S. 913 (1976), it is unnecessary to remand this case to the district court for further consideration.

A final issue raised by Elby's is whether the particular requirements for a preliminary injunction are met here. The legal standard governing the grant of a preliminary injunction under § 43(a) is clear.

> There must be a showing of (A) irreparable harm and (B) either (1) likelihood of success on the merits or (2) sufficiently serious questions going to the merits to make them a fair ground for litigation and a balance of hardships tipping decidedly toward the party requesting the preliminary relief.

Warner Bros., supra at 78. It is obvious to this court that Frisch's has shown a likelihood that it will succeed on the merits of this case. We are also convinced that Frisch's has demonstrated irreparable harm, since it has a "substantial financial interest at stake" in its exclusive use in Ohio of the Big Boy trademark, it has "incurred great expense" in promoting that trademark in Ohio, and "its licensing program will lose much of the confidence reposed in it by [its] licensees" if they view Frisch's as unwilling to protect the exclusivity of its licenses. *Id.* at 79. Although it is true that "[a] preliminary injunction imports a degree of urgency [and] . . . should not be available to the plaintiff who slumbered on his rights," 4 R. CALLMAN, LAW OF UNFAIR COMPETITON, TRADEMARKS & MONOPOLIES § 88.3(b) at 206 (3d ed. 1970), it appears to us that Frisch's properly asserted its legal rights from the beginning through its litigation in the West Virginia state courts, and it undoubtedly hoped to defend its interest in that forum without the need of proceeding in another forum. We recognize Frisch's delay in moving for a preliminary injunction after the present action was originally filed; however, it so moved a few months after it filed its amended complaint.[6] We do not believe the district court abused its discretion in granting the preliminary injunction in spite of this delay.

The district court's order granting a preliminary injunction as to Elby's television advertisements is therefore affirmed, while we reverse on the issue of newspaper advertisements and remand for entry of such preliminary injunction.

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6. Evidently Frisch's sought a preliminary injunction when it became apparent that docket constraints in the district court would preclude a plenary hearing for an extended period of time. Instead of slumbering on its rights, Frisch's sought to draw the court's attention to its dilemma as soon as practicable by applying for a preliminary injunction.

MEMORANDUM AND ORDER OF THE UNITED STATES DISTRICT COURT

(Filed January 20, 1981)

Case No. C-2-78-1316

IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF OHIO
EASTERN DIVISION

FRISCH'S RESTAURANTS, INC.,
Plaintiff,

v.

ELBY'S BIG BOY OF STEUBENVILLE, INC., *et al.*,
Defendants.

MEMORANDUM AND ORDER

This matter is before the Court on plaintiff's motion for preliminary injunction pursuant to Fed. R. Civ. P. 65. This is a trademark infringement action brought under Section 43(a) of the Lanham Act, 15 U.S.C. §1125(a), common law principles of unfair competition, and Ohio's Deceptive Trade Practices Act. For the reasons stated below, the plaintiff's request for preliminary injunctive relief is granted in part. In accordance with the requirements of Rule 65(d), the Court makes the following findings.

I. *Findings of Fact*

1. Plaintiff, Frisch's Restaurants, Inc. (Frisch's), is an Ohio corporation engaged in the business of preparing and processing food products in Ohio and other states.

Plaintiff owns and franchises family restaurants in the state of Ohio, many of which engage in business under the "Big Boy" trademark and service mark.

2. Defendant The Boury Corporation, Inc. is the parent corporation for all of the company-owned Elby's Family Restaurants located in Ohio and West Virginia. Defendant Elby's, Inc. is a wholly-owned subsidiary of The Boury Corporation, Inc. Defendant George Boury is the president of The Boury Corporation, Inc. Defendant Ellis Boury is an officer, director, and shareholder of The Boury Corporation, Inc., and is responsible for supervision of the advertising and promotional campaigns of the Elby's Family Restaurants located in Ohio and West Virginia. Defendant David Carr is an employee of Elby's Inc., and is the person primarily responsible for the creation and placement of advertisements on behalf of Elby's Family Restaurants in Ohio and West Virginia.

3. Marriott Corporation is the holder of the registration for the federally-registered trademark "Big Boy" bearing Registration No. 574,742 on the Principal Register of the United States Patent Office. This registration is in full force and effect.

4. On October 25, 1953, plaintiff was granted by the predecessor in interest of Marriott Corporation a license to use in Ohio the "Big Boy" trademark in connection with a doubledecker hamburger and the restaurant where the hamburger is sold.

5. Defendant The Boury Corporation holds the exclusive right to use the Big Boy trademark in the panhandle of West Virginia, including the Wheeling area, and in Pennsylvania except in the Philadelphia and Pittsburgh areas. Defendants have an obligation under these various license agreements to promote and advertise the "Big Boy" mark.

6. The Marriott Corporation is currently the common licensor of plaintiff and defendants. Plaintiff now operates approximately 80 restaurants in Ohio under the "Big Boy" mark. Defendants now operate 7 restaurants in northern West Virginia and 5 restaurants in western Pennsylvania under the "Big Boy" mark.

7. Prior to 1971, Elby's Family Restaurant of Steubenville, Inc. was authorized, pursuant to a franchise agreement with plaintiff, to use the "Big Boy" mark in connection with the Elby's Family Restaurants in eastern Ohio. In late 1971, Elby's and a related corporation terminated the agreements pursuant to which the "Big Boy" mark was used in eastern Ohio.

8. Shortly thereafter, in early 1972, plaintiffs initiated an action in West Virginia state court alleging, among other things, that Elby's Family Restaurants of Steubenville, Inc. and the related corporation were violating provisions of the prior franchise agreements relating to cessation of trademark and tradename use after termination of the agreements. In response to a request from plaintiff in connection with the pending state court litigation, the West Virginia Supreme Court of Appeals, in July 1973, entered a preliminary injunction, which continues in effect, enjoining defendants Park Corporation of Ohio and Elby's Family Restaurant of Steubenville, Inc. from using the "Big Boy" trademark in connection with their restaurants in Ohio.

9. Defendants currently operate restaurants under the name "Elby's Family Restaurants" in the Ohio cities of Steubenville, Marietta, Dover, Cambridge, and St. Clairsville (hereafter Ohio Elby's). As noted earlier, the Ohio Elby's authority to use the "Big Boy" mark was terminated in 1971.

10. Defendant Elby's Commissary, Inc. was and is the corporation responsible for the creation and placement of television, radio and newspaper advertisements on behalf of Elby's Family Restaurants located in West Virginia and Ohio. Defendant Ellis Boury is an officer, director and shareholder of The Boury Corporation, Inc. and is directly responsible for the supervision of the advertising and promotional campaigns on behalf of Elby's Family Restaurants located in West Virginia *and Ohio.*

11. The Elby's Family Restaurants located in the cities of Steubenville, St. Clairsville, Bridgeport, Marietta, Cambridge and Dover, Ohio, have erected billboards on their restaurant properties directing the general public to watch for Elby's advertisements on Wheeling, West Virginia, television station WTRF whose signal is broadcast from Bridgeport, Ohio, and is widely received by television sets throughout the eastern portion of the state of Ohio.

12. In addition to these billboards, the above-named Elby's Family Restaurants have placed in their respective restaurants in-store promotional pieces, including matchbooks and sugar packets, which advertise WTRF.

13. Defendant Elby's Coommissary, Inc. creates and places on behalf of Elby's Family Restaurants, a large number of television advertisements on WTRF, most of which either contain a pictorial representation of the "Big Boy" figure, advertise "Big Boy" food items and/or contain jingles which strongly identify "Elby's Family Restaurants" with the "Big Boy" trademark and service mark.

14. Defendant Elby's Commissary, Inc. creates and places advertisements in newspapers published in West Virginia and having circulation in both West Virginia and eastern Ohio. These advertisements advertise food items

available at Elby's Family Restaurants with the aid of the "Big Boy" trademark and service mark.

15. None of the television or newspaper advertisements placed on behalf of Elby's Family Restaurants and received by persons living in the eastern portion of the state of Ohio advises the public that the Elby's Family Restaurants located in Ohio are not affiliated with the "Big Boy" trademark and service mark and that "Big Boy" food items are unavailable at those restaurants.

16. In addition to the advertising described above, the Ohio Elby's also employ a variety of advertising media which originate in Ohio. None of these Ohio advertisements use the "Big Boy" mark. Moreover, when defendants have advertised a specific Ohio Elby's location in a West Virginia medium, no reference to the "Big Boy" mark has been included. Tr. 115-16.

17. The advertisements placed on WTRF on behalf of Elby's Family Restaurants coupled with the WTRF promotional material located in Ohio Elby's are likely to confuse and indeed have confused persons residing in the eastern portion of Ohio, near the West Virginia panhandle, into believing that the Elby's Family Restaurants located in Ohio are affiliated with the "Big Boy" trademark and service mark and that "Big Boy" food items are available at such restaurants.

18. Plaintiff's claim of likelihood of confusion was supported by the testimony of Dr. Lee B. Becker, a qualified expert in the field of scientific survey analysis. Becker supervised a survey carried out in July of 1979 which was designed to measure whether residents of eastern Ohio are confused concerning the availability of Big Boy products in Ohio. The Court finds the survey and testimony of Dr. Becker to be worthy of significant weight.

19. The Court finds that residents of eastern Ohio are in fact confused about the availability of the Big Boy products in Ohio. As Dr. Becker wrote: "Many think this product can be purchased at Elby's Family Restaurants operated in Ohio." Plaintiff's Ex. 2, p. 1.

20. Dr. Becker found that the confusion concerning the Big Boy products was "associated with" the following factors:

(a) proximity of the particular Ohio community to West Virginia where consumers can purchase a Big Boy at Elby's;

(b) length of residence in the respective community; i.e., residents for a period greater than eight years are more likely to be confused;

(c) frequent travel to West Virginia; and

(d) viewing of Elby's advertisements on WTRF.

21. The first three factors causing confusion are not attributable to defendants; but are instead a result of the fairly unique geography of this tri-state area. The confusion associated with WTRF advertising is, however, attributal to defendants.

22. Although the Court claims no expertise in the field of consumer survey research, the Court's own viewing of the WTRF advertisements confirms the view that the confusion in eastern Ohio communities is in part attributable to the WTRF-TV advertising which reaches the homes of 96.3% of the sample surveyed by Dr. Becker.

23. Plaintiff currently has no restaurants in the coverage area of defendant's WTRF-TV advertising. However, plaintiff has previously sub-licensed the "Big Boy" trademark in this area and may well attempt to do so in the future.

24. The crucial facts in this matter can be summarized as follows. Ohio Elby's restaurants previously paid plaintiff under a franchise agreement for the right to use the "Big Boy" mark in association with its Elby's restaurants in Ohio. Although the authority to use the trademark was terminated in 1971, the continued use of the mark resulted in a West Virginia court's issuance of a preliminary injunction prohibiting such further use. Thereafter, defendants continued to involve the Ohio Elby's restaurants in an advertising campaign on WTRF-TV associating *all* Elby's restaurants with the "Big Boy" trademark. Although defendants have avoided use of the mark in Ohio, promotional material and billboards on Elby's property directed Ohio consumers to look for WTRF-TV weekly Elby's specials. These WTRF weekly specials, in turn, prominently associated *all* Elby's restaurants with the "Big Boy" trademark. The public's confusion concerning the availability of "Big Boy" products at Ohio Elby's is due in part to this advertising campaign.

Discussion and Conclusions of Law

1. This action arises under trademark laws of the United States and Ohio's Deceptive Trade Practices Act and principles of common law unfair competition. Jurisdiction is based on 28 U.S.C. §1338(a) and 15 U.S.C. §1051 *et seq.* and 28 U.S.C. §1338(b).

2. Plaintiff's request for preliminary injunctive relief requires this Court to apply the familiar factors identified by the United States Court of Appeals for the Sixth Circuit in *Mason County Medical Association v. Knebel*, 563 F.2d 256 (6th Cir. 1977):

(a) Whether the plaintiff has shown a strong or substantial likelihood of success on the merits.

(b) Whether the plaintiff has shown irreparable injury.

(c) Whether the issuance of a preliminary injunction would cause substantial harm to others.

(d) Whether the public interest would be served by issuing a preliminary injunction.

563 F.2d at 261. The Court will now turn to an examination of these criteria.

Substantial Likelihood of Success on the Merits

3. The threshold inquiry in this action for unfair competition is likelihood of confusion. 15 U.S.C. §1125(a). *New West Corp. v. Nym Co. of California, Inc.*, 595 F.2d 1194, 1201 (9th Cir. 1979); *Quabaug Rubber Co. v. Fabiano Shoe Co., Inc.*, 567 F.2d 154, 160 (1st Cir. 1977). The First Circuit in *Quabaug* suggested that the required showing under §1125(a) is closely analagous, if not identical with, the likelihood of confusion standard applied in federal trademark infringement actions. "In determining whether likelihood of confusion exists, courts consider such factors as the type of trademark in issue, the similarity of the design, similarity of products, identity of retail outlets and purchasers, identity of advertising media utilized, defendant's intent, and actual confusion." *Union Carbide Corp. v. Ever-Ready, Inc.*, 531 F.2d 366, 381 (7th Cir. 1976), *cert. denied*, 429 U.S. 830; see also *Restatement of Torts* §729.

4. As common licensees of the Marriott Corporation, for the use of the "Big Boy" mark it is not surprising to find that the mark advertised by defendants is identical to the mark advertised by the plaintiff. The similarities of products, retail outlets, usual purchasers, and general forms of advertising media are also apparent. This conclusion, in the somewhat unusual factual context presented by this

case, is neither surprising nor particularly helpful. Neighboring licensees under a common mark will generally share such characteristics. Many of these characteristics will also be shared by family restaurant competitors even though not operating under a common trademark as is the case with Frisch's Big Boy and Elby's Family in Ohio.

5. Far more important to the unusual factual posture of this case are the conclusions to be drawn from the testimony of Dr. Becker relative to the issue of confusion. As the Court noted in its findings of fact, *supra*, eastern Ohio consumers are in fact confused concerning the availability of "Big Boy" products at Ohio Elby's restaurants. Of the four factors associated with the confusion, however, three are not attributable to any arguable wrongdoing on the part of the defendants. Instead the confusion associated with travel, proximity to defendants' restaurants legitimately using the mark, and length of residence are attributable to either unique geography or, in the case of residence, the fact that residents for a period in excess of eight years may not have "forgotten" the prior legitimate association of the mark with Ohio Elby's restaurants. The Court can discern no basis for imposing liability on the defendants for the confusion associated with these first three factors.

6. The WTRF advertising presents another matter. It is important to note at the outset that the Ohio Elby's restaurants are in fact direct participants in the reciprocal advertising agreement with WTRF. Deposition of Frank Curtis at 17. Thus, this is not a case of mere accidental benefit to the Ohio Elby's from the association of Elby's with the "Big Boy" mark. Moreover, the Ohio Elby's restaurants, pursuant to the terms of the reciprocal advertising agreement, actively encourage Ohio consumers to "watch for Elby's specials on WTRF," (Plaintiff's Ex. 26, 15, 5),

where the television advertisement frequently identifies the Elby's Family Restaurant with the "Big Boy" mark. A variety of in-store promotional material including matchbooks and sacks also directs the Ohio consumer to WTRF. The Court concludes from these facts that the defendants intentionally[1] associate Ohio Elby's restaurants with the "Big Boy" mark.

While the Court would be reluctant to draw such an inference of intentional unauthorized association from a case of simple advertising "spill-over," the facts here do not present such a case. Because the preliminary injunction by a West Virginia state court has been in effect, the defendants have been well aware of a problem concerning unauthorized use of the "Big Boy" mark in Ohio. Nevertheless, the evidence establishes a continuing effort on the part of the defendants to foster the improper association with the "Big Boy" mark by the bill-board and promotional devices discussed above.

The Court concludes that plaintiff has established a likelihood of confusion resulting from the WTRF advertising and therefore a substantial likelihood of success on the merits.

7. The defendants argue, however, that plaintiff has shown no likelihood of confusion between the defendants' products and plaintiff's products; that is, between the products of Ohio Elby's and the products of the plaintiff's restaurants. The argument, however, misses the mark. Plaintiff sues for protection of the "Big Boy" trademark in Ohio, not the Frisch's name. *Cf. Union Carbide Corp. v. Ever-Ready, Inc.*, 531 F.2d 366, 387 (7th Cir. 1976) ("The test . . . is whether they associate the products either with Carbide *or* with the single, though anonymous, source which manufacturers EVERREADY products.")

8. Defendants also argue that Section 43(a) of the Lanham Act does not reach omissions and nondisclosures. *Universal City Studios, Inc. v. Sony Corp.*, 429 F. Supp. 407 (1977). Defendants' argument appears to confuse the relief sought by plaintiff with the acts forming the basis for liability. The Court finds that the Ohio Elby's affirmative participation in the WTRF reciprocal advertising campaign involves far more than simple nondisclosures and is accordingly within the purview of Section 43(a) of the Act. "The question is what is the likely ultimate *impression*, upon customers and potential customers of the relevant services and products which will be created by what is said and what is reasonably implied." *Dallas Cowboys Cheerleaders v. Pussycat Cinema*, 467 F. Supp. 366, 374 (S.D. N.Y. 1979), *aff'd*, 604 F.2d 200 (2d Cir. 1979). Standing alone, neither the Ohio Elby's WTRF billboards nor the advertisements on WTRF-TV say that Ohio Elby's are "Big Boy" restaurants. Functioning together, however, the billboards and TV advertisements create the likely impression in the consumer that "Big Boy" products are available at Ohio Elby's.

9. Defendant also argues that plaintiff has shown no causal connection between defendants' conduct and damage to the plaintiff. In this argument, defendant mistakenly equates harm with proof of lost sales or actual competition. Under Section 43(a) of the Lanham Act, however, proof of actual competition is not required. *Tisch Hotels, Inc. v. Americana Inn, Inc.*, 350 F.2d 609, 613 (7th Cir. 1965). Moreover, the Sixth Circuit has held that the legal protection to be afforded the owner of a trademark extends throughout the entire state. *Socony-Vacuum Oil Co. v. Oil City Refiners*, 136 F.2d 470 (6th Cir. 1943), *cert. denied*, 320 U.S. 798; *Sheila's Shine Products, Inc. v. Sheila Shine, Inc.*, 486 F.2d 114, 127 (5th Cir. 1973); see also

Younker v. Nationwide Mutual Ins. Co., 175 Ohio St. 1, 191 N.E.2d 145 (Ohio 1963). Application of that rule where, as here, plaintiff has previously expanded its operations into eastern Ohio is particularly appropriate. See Finding of Fact #7, *supra*.

10. Plaintiff has also requested preliminary relief with respect to defendants' advertisements on radio and in newspapers. As noted earlier, these advertisements originate in West Virginia media and are either heard or read by some Ohio consumers. The Court concludes that the plaintiff has not established a sufficient likelihood of success on the merits to warrant preliminary relief with respect to the newspaper and radio advertisements. Plaintiff's proof relative to defendants' advertising in newspapers and on radio is not sufficient to establish a *causal connection* between the public's confusion and defendants' advertising in such media. No proof comparable to the Becker study has been presented for other media.

There is also some question whether Section 43(a) of the Lanham Act reaches omissions and nondisclosures. *Universal City Studios, Inc. v. Sony Corp.*, 429 F. Supp. 407 (1977). As noted above, plaintiff's proof with respect to WTRF-TV advertisements established more than omissions and nondisclosures. Plaintiff established purposeful[3] fostering of confusion by defendants' affirmative acts in directing Ohio consumers to watch or weekly specials on WTRF-TV.[3] No comparable proof has been presented with respect to radio and newspaper advertisements. For that reason, the Court finds a substantial likelihood of success on the merits only with respect to defendants' WTRF-TV advertisements. The Court will next consider the remaining factors identified in *Mason County, supra*.

Irreparable Injury

11. The law is well-settled that likelihood of confusion will generally constitute irreparable harm. *Dallas Cowboys Cheerleaders, supra,* 604 F.2d at 207; *Hills Bros. Coffee, Inc. v. Hills Supermarkets, Inc.,* 428 F.2d 379, 381 (2d Cir. 1970); *Ideal Industries, Inc. v. Gardner Bender, Inc.,* 612 F.2d 1018, 1025-26 (7th Cir. 1979), *cert. denied,* 100 S. Ct. 3016. The defendant, however, argues that plaintiff's own laches in seeking injunctive relief conclusively establishes that defendants' advertisements have not caused irreparable harm to the plaintiff.

The record does suggest considerable periods of delay in plaintiff's pursuit of the defendants' allegedly illegal acts. However, "[m]ere delay is insufficient; it must result in prejudice to the party asserting laches." *Standard Oil of Colorado v. Standard Oil Co.,* 72 F.2d 524, 527 (10th Cir. 1934). *See also Ideal Industries, Inc. v. Gardner Bender, Inc.,* 612 F.2d 1018, 1025 (7th Cir. 1979). Under these cases the Court must determine whether "the defendant ha[s] been lulled into a false sense of security or has acted in reliance on plaintiff's delay." 612 F.2d at 1025. In view of the fact that several of the defendants have been subject to a preliminary injunction prohibiting the use of the "Big Boy" trademark in connection with the Ohio Elby's restaurants, the Court is unable to conclude that defendants have been lulled into a false sense of security. See also Plaintiff's Ex. 48. Moreover, the defendants have not offered evidence to establish the date upon which plaintiff first learned of the existence and terms of defendants' reciprocal advertising agreement with WTRF and the content of the WTRF advertisements. In the absence of such proof, the Court is unwilling to hold that defendants have met their burden of proof relative to the defense of laches. *Cuban Cigar Brands N.V. v. Upmann International, Inc.,*

457 F. Supp. 1090, 1096 (S.D. N.Y. 1978). The Court therefore concludes that plaintiff's proof of likelihood of confusion is sufficient to satisfy the test of irreparable harm.

Harm to Others and the Public Interest

12. The final two factors identified in *Mason County, supra*, also weigh in favor of the issuance of a preliminary injunction. Plaintiff seeks an order requiring defendants to prominently disclose that Ohio Elby's are not associated with the "Big Boy" mark. While the Court does not believe that the disclosure in the advertisements on WTRF-TV will totally reverse the public's confusion concerning the availability of "Big Boy" products in Ohio Elby's restaurants, the Court is satisfied that accurate advertising will be a step in the right direction. One of the fundamental policies implicit in Section 43(a) of the Lanham Act is accurate advertisement. The public interest will be well served by taking this small step to reverse the consumer confusion caused in part by defendants' false advertising.

Finally, although the Court recognizes that including the limitation will "clutter-up" defendants' advertising on WTRF-TV, the Court believes that this minor inconvenience is outweighed by the greater harm that would result to plaintiff if defendants were allowed to continue to falsely associate the Ohio Elby's restaurant with the "Big Boy" mark. For all of the above reasons, the Court will grant preliminary injunctive relief pursuant to 15 U.S.C. §1125(a).

13. Having determined that injunctive relief is appropriate under the unfair competition provisions of the Lanham Act, 15 U.S.C. §1125(a), the Court expresses no view concerning the plaintiff's alternative theories of recovery under 15 U.S.C. §1114, Ohio statutes, and common law.

ORDER

14. Accordingly, defendants are preliminarily enjoined from using the "Big Boy" trademark and service mark in their WTRF advertising without making a prominent disclosure that the Elby's Family Restaurants within the state of Ohio are not associated with the "Big Boy" restaurant organization. Alternatively, defendants may wish to eliminate *all* reference to the "Big Boy" mark on WTRF advertisements. (Tr. 158-59.) Defendants are further ORDERED to file with the Court and serve upon the plaintiff a report in writing under oath setting forth in detail the manner and form in which the defendants have complied with the injunction. Said report is due thirty (30) days after the issuance of this injunction. Pursuant to Rule 65(c) of the Federal Rules of Civil Procedure, plaintiff is required to post security. The amount of this security shall be Five Thousand Dollars ($5,000.00). The injunction shall take effect upon posting of the security.

/s/ ROBERT M. DUNCAN
Judge
United States District Court

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1. Although intent to deceive is not a necessary element of a claim under Section 43(a), proof of intent weighs in favor of a conclusion of likelihood of confusion. *Combe, Inc. v. Scholl, Inc.*, 453 F. Supp. 961 (S.D. N.Y. 1978).

2. The Court recognizes that actual intent to deceive is not required to establish a claim under Section 43(a); affirmative acts, however, may be required.

3. See conclusion #6, *supra*.

JUDGMENT OF THE UNITED STATES DISTRICT COURT

(Filed January 20, 1981)

Case Number C-2-78-1316

UNITED STATES DISTRICT COURT
FOR SOUTHERN DISTRICT OF OHIO
EASTERN DIVISION

FRISCH'S RESTAURANTS INC.,

v.

ELBY'S BIG BOY OF STEUBENVILLE, INC., et al.,

JUDGMENT

This action came on for consideration before the Court, The Honorable Robert M. Duncan United States District Judge, presiding. The issues having been duly considered and a decision having been duly rendered,

IT IS ORDERED AND ADJUDGED THAT: defendants are preliminarily enjoined from using the "Big Boy" trademark and service mark in their WTRF advertising without making a prominent disclosure that the Elby's Family Restaurants within the state of Ohio are not associated with the "Big Boy" restaurant organization. Alternatively, defendants may wish to eliminate *all* reference to the "Big Boy" mark on WTRF advertisements. (Tr. 158-59). Defendants are further ORDERED to file with the Court and serve upon the plaintiff a report in writing

under oath setting forth in detail the manner and form in which the defendants have complied with the injunction. Said report is due thirty (30) days after the issuance of this injunction. Pursuant to Rule 65(c) of the Federal Rules of Civil Procedure, plaintiff is required to post security. The amount of this security shall be Five Thousand Dollars ($5,000.00). The injunction shall take effect upon posting of the security.

JOHN D. LYTER, CLERK
By: /s/ [Illegible]
Deputy Clerk

JUDGMENT ENTRY OF THE UNITED STATES COURT OF APPEALS FOR THE SIXTH CIRCUIT

(Filed February 3, 1982)

Nos. 81-3095/81-3098

UNITED STATES COURT OF APPEALS
FOR THE SIXTH CIRCUIT

FRISCH'S RESTAURANTS, INC.,
Plaintiff-Appellee, Cross-Appellant,

vs.

ELBY'S BIG BOY OF STEUBENVILLE, INC.; THE BOURY CORPORATION; ELBY'S FAMILY RESTAURANTS, INC.; ELBY'S COMMISSARY, INC.; GEORGE BOURY, ELLIS BOURY and DAVID CARR,
Defendants-Appellants, Cross-Appellees.

Before: WEICK and BROWN, *Circuit Judges;* PRATT, *District Judge.*

JUDGMENT

APPEAL from the United States District Court for the Southern District of Ohio.

THIS CAUSE came on to be heard on the record from the United States District Court for the Southern District of Ohio and was argued by counsel.

ON CONSIDERATION WHEREOF, It is now here ordered and adjudged by this Court that the judgment of the said District Court granting a preliminary injunction as to Elby's television advertisements is affirmed and reversed as to the issue of newspaper advertisements, and remanded for entry of such preliminary injunction.

Each party to bear its own costs on this appeal.

ENTERED BY ORDER OF THE COURT
/s/ JOHN P. HEHMAN
Clerk

ORDER OF THE UNITED STATES COURT OF APPEALS FOR THE SIXTH CIRCUIT STAYING MANDATE

(Filed March 1, 1982)

No. 81-3095 & 81-3098

UNITED STATES COURT OF APPEALS
FOR THE SIXTH CIRCUIT

FRISCH'S RESTAURANTS, INC.,
Plaintiff-Appellee, Cross-Appellant,

vs.

ELBY'S BIG BOY OF STEUBENVILLE, INC.; THE BOURY CORPORATION; ELBY'S FAMILY RESTAURANTS, INC.; ELBY'S COMMISSARY, INC.; GEORGE BOURY, ELLIS BOURY AND DAVID CARR,
Defendants-Appellants, Cross-Appellees.

ORDER STAYING MANDATE

ORDERED, That motion to stay mandate herein pending application to the Supreme Court for writ of certiorari is hereby granted and the mandate is stayed for thirty days from this date; provided that, if within such thirty days, the applicant shall file with the Clerk of this Court the certificate of the Clerk of the Supreme Court that the certiorari petition, record, and brief have been filed, the stay shall continue until the final disposition of the case by the Supreme Court. Unless this condition is complied with within such thirty days or any extension thereof made by the Court or any judge thereof, or if the condition is complied with, then upon the filing of copy of an order denying the writ applied for, the mandate shall issue.

ENTERED BY ORDER OF THE COURT

JOHN P. HEHMAN, Clerk

/s/ JOHN P. HEHMAN

ORDER OF THE UNITED STATES COURT OF APPEALS FOR THE SIXTH CIRCUIT CONTINUING STAY OF MANDATE

(Filed April 6, 1982)

Nos. 81-3095 and 81-3098

UNITED STATES COURT OF APPEALS
FOR THE SIXTH CIRCUIT

FRISCH'S RESTAURANTS, INC.,
Plaintiff-Appellee, Cross-Appellant,

VS.

ELBY'S BIG BOY OF STUEBENVILLE, INC.; THE BOURY CORPORATION; ELBY'S FAMILY RESTAURANTS, INC.; ELBY'S COMMISSARY, INC.; GEORGE BOURY, ELLIS BOURY AND DAVID CARR,
Defendants-Appellants, Cross-Appellees.

ORDER

Upon consideration of the defendant-appellant, cross-appellee's motion to stay mandate to April 30, 1982 pending filing petition for certiorari in the Supreme Court of the United States;

IT IS ORDERED that the motion be, and it hereby is, granted.

ENTERED BY ORDER OF THE COURT

JOHN P. HEHMAN, Clerk
/s/ JOHN P. HEHMAN

PLAINTIFF EXHIBIT 34

Registered May 19, 1953 **Registration No. 574,742**

PRINCIPAL REGISTER
Trade-Mark

Renewed for 20 years from May 19, 1973

COMB. AFE. SEC 8 & 15

UNITED STATES PATENT OFFICE

Robert C. Wian Enterprises, Inc., Glendale, Calif.

Act of 1946

Application August 11, 1951, Serial No. 633,748

BIG BOY

STATEMENT

Robert C. Wian Enterprises, Inc., a corporation duly organized under the laws of the State of California, located at 1001 East Colorado Boulevard, Glendale, California, and doing business at the same address, has adopted and is using the trade-mark shown in the accompanying drawing, for HAMBURGER SANDWICHES, in Class 46, Foods and ingredients of foods, and presents herewith five (5) specimens showing the trade-mark as actually used in connection with such goods, the trade-mark being applied to paper bags containing said goods, and requests that the same be registered in the United States Patent Office on the Principal Register in accordance with the act of July 5, 1946.

The trade-mark was first used on the goods specified, in 1936, and was first used on said goods in commerce among the several States which may lawfully be regulated by Congress, in December 1949.

Applicant is the owner of Registration No. 361,620.

ROBERT C. WIAN ENTERPRISES, INC.
By ROBERT C. WIAN,
President.

CERTIFIED TO BE A TRUE COPY OF THE REGISTRATION WHICH IS IN FULL FORCE AND EFFECT, WITH NOTATION OF ALL STATUTORY ACTIONS TAKEN THEREON, AS DISCLOSED BY THE RECORDS OF THE UNITED STATES PATENT AND TRADEMARK OFFICE. SAID RECORDS SHOW TITLE TO BE IN: Marriott Corporation

Attest:

DEC 26 1979

Attesting Officer

Sidney A. Diamond

COMMISSIONER OF PATENTS & TRADEMARKS

PLAINTIFF EXHIBIT 42

Elby's
Grandparents Week SPECIAL
At Participating Elby's Family Restaurants
LIVER & ONIONS DINNER
Tender, flavorful Baby Beef Liver and grilled sweet onions; Choice of one, french fries, baked potato (during supper hours), or applesauce; with tossed salad and garlic bread.
2.69
Now thru Wednesday
Food So Good... And Oh What A Value!
Elby's
FAMILY RESTAURANTS
SEAFOOD • STEAKS • CHICKEN • SPAGHETTI
All Menu Items Available For Carry-Out

Intelligencer
Friday, September 5, 1980

Intelligencer
Fridays September 19, 1980

Elby's

SPECIAL this week...

NOW THRU WEDNESDAY

Ham Steak Dinner

with grilled pineapple ring

Tender Center Cut Ham; Choice of one, French Fries, Potato Salad, Baked Potato (during dinner hour), or Applesauce; with Freshly Tossed Salad and Grecian Bread

3.09

At Participating Elby's Family Restaurants

Food So Good... And Oh What A Value!

Elby's

FAMILY RESTAURANTS

SEAFOOD • STEAKS • CHICKEN • SPAGHETTI

Intelligencer
Friday - September 26, 1980

Section 32(1) of the Lanham Act

(15 U.S.C. §1114[1])

Any person who shall, without the consent of the registrant—

(a) use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive; or

(b) reproduce, counterfeit, copy, or colorably imitate a registered mark and apply such reproduction, counterfeit, copy, or colorable imitation to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used in commerce upon or in connection with the sale, offering for sale, distribution, or advertising of goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive,

shall be liable in a civil action by the registrant for the remedies hereinafter provided. Under subsection (b) of this section, the registrant shall not be entitled to recover profits or damages unless the acts have been committed with knowledge that such imitation is intended to be used to cause confusion, or to cause mistake, or to deceive.

Opposition

FILED
JUL 9
ALEXANDER L. STEVAS,
CLERK

No. 81-2012

In the Supreme Court of the United States

October Term, 1981

ELBY'S BIG BOY OF STEUBENVILLE, INC., *et al.*,
Petitioners,

vs.

FRISCH'S RESTAURANTS, INC.,
Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS
FOR THE SIXTH CIRCUIT

BRIEF FOR RESPONDENTS IN OPPOSITION

CARL GENBERG
(*Counsel of Record*)
575 South Third Street
Columbus, Ohio 43215
614/464-0519
Counsel for Respondent

THE GATES LEGAL PUBLISHING CO., CLEVELAND, OHIO—TEL. (216) 621-5647

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No. 81-2012

In the Supreme Court of the United States

October Term, 1981

ELBY'S BIG BOY OF STEUBENVILLE, INC., *et al.*,
Petitioners,

VS.

FRISCH'S RESTAURANTS, INC.,
Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS
FOR THE SIXTH CIRCUIT

BRIEF FOR RESPONDENTS IN OPPOSITION

STATEMENT OF FACTS

The "Big Boy" family of restaurants is composed of approximately one thousand restaurants in the United States that promote their restaurant operations with the aid of the federally registered "Big Boy" trademark. As noted by the Sixth Circuit, the Big Boy is "rather chubby and somewhat cherubic in appearance." (A-3). The federal trademark is owned by the Marriott Corporation, which, in turn, has licensed various entities to use the mark in different regions of the country. Plaintiff, Frisch's Restaurants, Inc., has the exclusive right to use the "Big Boy" mark in a four state region that includes Ohio and is the

owner of an Ohio state trademark for the "Big Boy" mark. Plaintiff operates company-owned "Big Boy" restaurants and also licenses others to use the "Big Boy" mark within its exclusive territory. Plaintiff entered into license agreements with several of the Defendants which granted them the right to operate "Big Boy" restaurants in cities located in the eastern portion of the State of Ohio. These Defendants repudiated the license agreements but continued to advertise and promote their restaurants with the aid of the "Big Boy" trademark. Corporations related to the former licensees then commenced operation of similar restaurants in the eastern Ohio area which joined in the ongoing acts of trademark infringement and unfair competition.

STATEMENT OF THE CASE

Plaintiff brought this action seeking injunctive and monetary relief arising out of Defendants' deliberate acts of trademark infringement and unfair competition. At the time of the hearing on Plaintiff's Motion for a Preliminary Injunction, Plaintiff's Amended Complaint alleged causes of action under Sections 32(1) and 43(a) of the Lanham Act (15 U.S.C. Sections 1114[1] and 1125[a]) as well as under the statutory and common law of the State of Ohio. At the preliminary injunction hearing, among the items Plaintiff introduced into evidence were Defendants' television and newspaper advertisements as well as the testimony of an expert who conducted a survey among the people in the eastern Ohio area. According to the survey's results, 70 per cent of the people incorrectly believed that it was possible to purchase a "Big Boy" hamburger at Defendants' Ohio restaurants and approximately 40 per cent of the people surveyed stated that they had actually purchased a "Big Boy" hamburger at Defendants' Ohio restaurants. The district court viewed the television

advertisements and, based on its own viewing and the survey results, concluded that the public confusion was "in part attributable" to Defendants' television advertisements (A-24). The district court concluded not only that there was widespread public confusion, but also found that the Defendants' acts of unfair competition were intentional (A-28). Based on these findings, the court granted Plaintiff's Motion for a Preliminary Injunction against Defendants' television advertisements but denied relief against the newspaper advertisements citing lack of survey proof to establish a causal connection between the public confusion and the newspaper advertisements.

Defendants perfected an interlocutory appeal from the district court's entry of a preliminary injunction with respect to the television advertisements. Frisch's cross-appealed from the district court's denial of preliminary injunctive relief with respect to the newspaper advertising. The Sixth Circuit affirmed the district court's entry of preliminary injunctive relief with respect to the television advertisements and reversed its denial of preliminary injunctive relief with respect to newspaper advertising.

The Sixth Circuit held that the district court has used the wrong legal standard in determining the existence of "likelihood of confusion" with respect to Defendants' newspaper advertisements. The Sixth Circuit then applied the proper legal test to the facts as found by the district court and concluded that Frisch's was entitled to injunctive relief against Defendants' newspaper advertisements (A-16-17).

REASONS FOR DENYING THE WRIT

Petitioners seek interlocutory review of a judgment granting a preliminary injunction. The petition fails to state any reason why this Court should deviate from its normal practice of denying interlocutory review. Although the petition alleges that this case raises important questions of federal law concerning the applicability of Section 43(a) of the Lanham Act to an action involving a federally registered mark, this issue was never raised by Petitioners in the courts below nor addressed by the Sixth Circuit in its opinion. The decision of the Sixth Circuit is not in conflict with decisions of this Court or of other Circuits. Finally, given the procedural posture of this case, its highly unusual facts and the decision's support on both federal and state law grounds, this case is not appropriate for review by this Court.

The Petition Fails to State Any Grounds Warranting Interlocutory Review.

Petitioners seek interlocutory review of a judgment by the Sixth Circuit which granted Plaintiff's Motion for a Preliminary Injunction. Petitioners have been unsuccessful in litigating the merits of this action but have succeeded in delaying the day of reckoning for their deliberate acts of trademark infringement. This petition is their latest effort to slow the wheels of justice. In *American Construction Co. v. Jacksonville, T. & K.W.R. Co.*, 148 U.S. 372, 384, this Court stated that:

> Whether an interlocutory order may be separately reviewed by the appellate court in the progress of the suit, or only after and together with the final decree, is matter of procedure rather than of substantial right;

and many orders made in the progress of a suit become quite unimportant by reason of the final result, or intervening matters. Clearly, therefore, this court should not issue a writ of certiorari to review a decree of the circuit court of appeals or appeal from an interlocutory order, unless it is necessary to prevent extraordinary inconvenience and embarrassment in the conduct of the cause.

Review of interlocutory decisions ill serves the interest of judicial economy *Estelle v. Gamble*, 429 U.S. 97, 114 (Stevens, dissenting) and, in the absence of extraordinary circumstances, has not been granted. The petition in this case fails to state any extraordinary circumstance that would justify the piecemeal review of an action that the Sixth Circuit has remanded to the District Court for further proceedings. The petition seeks review of "fundamental questions" about the proper construction and application of Section 43(a) of the Lanham Act. Yet, Plaintiff's Amended Complaint is not only based on Section 43(a) but also on Section 32(1), 15 U.S.C. Section 1114[1], as well as on the statutory and common law of Ohio. The district court has already ruled that Plaintiff has standing, as an assignee of the federally registered "Big Boy" mark, to bring an action pursuant to Section 32(1). Consequently, it is quite possible, if not probable, that the final relief in this action will be premised on Section 32(1) and that any questions regarding the scope and applicability of Section 43(a) will be "quite unimportant by reason of the final result." *American Construction Co. v. Jacksonville, T. & K.W.R. Co., supra.*

The Sixth Circuit's Decision Does Not Conflict With Decisions of Other Circuits.

1. The Plaintiff in this action is a franchisor who both operates "Big Boy" restaurants and licenses others to operate "Big Boy" restaurants within its exclusive territory. The essence of Plaintiff's Complaint against the Defendants is that they are operating and advertising their restaurants in the eastern portion of the State of Ohio in a manner that has led 70 per cent of the public to improperly associate the Defendants' restaurants with Plaintiff's "Big Boy" trademark. Defendants' actions of trademark infringement and unfair competition, if unchecked, would gobble up a sizable portion of Plaintiff's "Big Boy" territory, destroy the value of the license to use the "Big Boy" mark in that area and jeopardize the integrity of Plaintiff's licenses with its authorized licensees who make royalty payments for the right to use the "Big Boy" mark. Defendants, at trial, on appeal, and now in their petition for writ of certiorari, have countered Plaintiff's attempts to secure judicial relief by arguing that diversion of sales is the *sine qua non* of unfair competition. Of course there are unfair competition cases in which the *only* injury is the diversion of sales and no claim of misappropriation of rights in a trademark is made. For example, in *Johnson & Johnson v. Carter-Wallace, Inc.*, 631 F.2d 186 (2d Cir. 1980), Johnson & Johnson, a manufacturer of baby oil complained that Carter-Wallace, Inc.'s advertisements for its depilatory "NAIR" falsely suggested that NAIR contained a baby oil which softened the skin thereby eliminating the need to purchase other baby oil products. The Second Circuit correctly held that, under those circumstances, a plaintiff seeking injunctive relief must show "a logical causal connection between the alleged false advertising and its own sales position." 631 F.2d at 190.

Diversion of sales, however, is not the only injury for which the laws of trademark infringement and unfair competition offer relief. The federal courts have routinely granted injunctive relief against persons who misappropriate the trademark rights of others, even in the absence of diversion of sales. In *Tisch Hotels, Inc. v. Americana Inn, Inc.*, 350 F.2d 609, 146 U.S.P.Q. 566 (7th Cir. 1965), the court stated that:

> Federal court cases, whether based on trademark infringement, unfair competition, or state anti-dilution statutes, and involving hotels, motels or restaurants with the same or similar names have been practically unanimous in awarding injunctive relief to the prior user of the name who has established a national or widespread reputation for the name, even though the establishments are separated geographically and not in competition.

In the case at Bar, Frisch's licensed several of the Defendants to use the "Big Boy" mark in eastern Ohio. These Defendants repudiated the license agreements, and along with related corporations continued and expanded their restaurant operations by promoting these restaurants as "Big Boy" restaurants. Defendants, by their actions, have misappropriated the rights to the "Big Boy" mark in eastern Ohio. The decision of the Sixth Circuit is not in conflict with the decisions of other Circuits, but rather, relies on principles of unfair competition law that have been widely recognized and applied.

2. The Sixth Circuit did not violate the provisions of Rule 52(a) in holding that the District Court erred in failing to enjoin Defendants' deceptive newspaper advertisements. The Sixth Circuit did not set aside any of the District Court's factual findings or give greater weight to any of the District Court's findings—rather,

the court held that the District Court used the wrong legal standard in determining "likelihood of confusion." The court then applied the proper standard to the facts *as found by the District Court* and held that Plaintiff was entitled to injunctive relief. If a trial court bases its findings upon a mistaken impression of applicable legal principles, the reviewing court is not bound by the clearly erroneous standard. *United States v. Singer Manufacturing Co.*, 374 U.S. 174, 194 n.9 (1963).

The Sixth Circuit's Decision Does Not Conflict With Applicable Decisions of This Court.

Defendants, in their petition, imply that federal law has preempted the field of trademark regulation and any efforts by the States to grant greater rights to owners of trademarks must be swept aside in the interest of uniformity. In *Keebler v. Rovira Biscuit Corp.*, 624 F.2d 336, 372 footnote 3 (1st Cir. 1980) the court stated that:

> The Lanham Act does not preempt the states' ability to recognize and protect trademark rights. The purpose of the Act was to protect the public from confusing and deceptive trademarks and to provide security against misappropriation for trademark owners who have invested resources in presenting their products to the public and exploiting whatever goodwill the merits of their products warrant. *See Mariniello v. Shell Oil Co.*, 511 F.2d 853, 858 (3d Cir. 1975). The Supremacy Clause bars only state statutes or doctrine that would permit the sort of confusing or deceptive practices the draftsmen of the Lanham Act sought to prevent.

Defendants advance no reasons why federal courts should not look to principles developed by the common law in applying the law of unfair competition under Sec-

tion 43(a). After all, it is the common law that establishes rights in trademarks, federal registration only confers certain additional rights. State and federal regulation of trademarks have coexisted for many years. Several states have enacted anti-dilution statutes which confer upon owners of trademarks even greater rights than those available through federal registration. In *Kewanee Oil Company v. Bicron Corporation*, 416 U.S. 470, 40 L. Ed. 2d 315, 94 S. Ct. 1879 (1974) this Court stated that:

> Trade secret law and patent law have co-existed in this country for over one hundred years. Each has its particular role to play, and the operation of one does not take away from the need for the other. . . . Congress, by its silence over these many years, has seen the wisdom of allowing the States to enforce trade secret protection. Until Congress takes affirmative action to the contrary, States should be free to grant protection to trade secrets.

416 U.S. at 493. Similarly, in the field of copyrights, this Court in *Goldstein v. California*, 412 U.S. 546, 37 L. Ed. 2d 163, 93 S. Ct. 2303 (1973), failed to find an "unyielding national interest" that required "an inference that state power to grant copyrights has been relinquished to exclusive federal control." 412 U.S. at 558.

Under Ohio law, Frisch's is clearly entitled to injunctive relief. The Ohio Supreme Court in *Younker v. Nationwide Mutual Insurance Company*, 191 N.E.2d 145 (Ohio 1963) held that trademark rights in Ohio are entitled to statewide protection regardless of the area of actual use of the mark. Yet, even if Ohio law were to be held irrelevant to an action under Section 43(a), the federal law of unfair competition recognizes that a trademark's protection does not end at the restaurant's parking lot

but rather extends to all areas to which its trade may reasonably be expected to expand. In *Food Fair Stores, Inc. v. Lakeland Grocery Corp.*, 301 F.2d 156 (4th Cir. 1962) the court stated:

> It has been generally recognized since the decision of the Supreme Court in *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, 36 S.Ct. 357, 60 L.Ed. 713, and *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90, 39 S.Ct. 48, 63 L.Ed. 141, that an established trade name is entitled to protection not only in the area in which it already renders service or sells goods but also in areas to which its trade may reasonably be expected to expand. In the cited cases the issues were confined to the priority of use of a trademark in a given area and the question of expansion did not arise; but the court was careful to reserve it, saying in the *Hanover* case, 240 U.S. at 420, 36 S.Ct. at 363:
>
> > 'We are not dealing with a case where the junior appropriator of a trade-mark is occupying territory that would probably be reached by the prior user in the natural expansion of his trade, and we need pass no judgment upon such a case. . . .'
>
> Moreover, the court noted at page 415, 36 S. Ct. at page 361:
>
> > '. . . But where two parties independently are employing the same mark upon goods of the same class, but in separate markets wholly remote the one from the other, the question of prior appropriation is legally insignificant, unless at least it appear that the second adopter has selected the mark with some design inimical to the interests of the first user, such as to take the benefit of the reputation

> of his goods, to forestall the extension of his trade or the like.'

301 F.2d at 161, 162.

The Fourth Circuit went on to state that:

> Following the intimation in the opinion of the Supreme Court in the *Hanover* case quoted above that a competitor may not deliberately appropriate the trademark of another with a design to forestall the expansion of the latter's trade, it has been generally held that the owner of a trade name may enjoin infringement in territory to which his business has not yet extended. . . .
>
> The existence or non-existence of good faith on the part of the second user of the trade name is a powerful factor in determining whether the name is entitled to protection in an area to which the business it identifies has not actually extended.

301 F.2d at 162, 163.

Although the District Court and the Sixth Circuit spoke in terms of a presumption of statewide use of the trademark, their opinions and rationales clearly fit within the established federal law of granting protection to a trademark in its zone of reasonable expansion. The District Court noted that several courts had adopted the rule of granting statewide protection to trademarks and noted that:

> Application of that rule where, as here, plaintiff has previously expanded its operations into eastern Ohio is particularly appropriate.

Conclusion of Law #10 (A-30).

Defendants' actions have not resulted in mere hypothetical injury but rather, have struck at the heart of Frisch's ability to expand its operations into a portion of its exclusive territory where it formerly conducted business. Consequently, the Sixth Circuit's decision is not in conflict with the decisions of this Court or of other Circuits and is in harmony with the federal and state policies of affording protection to owners of trademarks against deliberate infringers.

The Petition Raises Questions Which Were Never Presented to the Sixth Circuit and Were Not Addressed by That Court.

Defendants, in their petition, raise for the first time what they term "fundamental and far-reaching questions about Section 43(a)." (Petition, p. 20). Defendants contend that Section 43(a) should not be applicable to acts of unfair competition involving federally registered trademarks. This argument is an after-thought added to spice up an otherwise run of the mill meritless petition for certiorari. Perhaps if Defendants had shared their "fundamental and far-reaching questions" with the Sixth Circuit, this Court would be in a position to give consideration to their arguments. Defendants' failure to raise these questions before the Sixth Circuit should preclude this Court's review. *Tyrrel v. District of Columbia,* 243 U.S. 1; *California v. Taylor,* 353 U.S. 553, 557, n.2; *Labor Board v. Sears, Roebuck & Co.,* 421 U.S. 132, 163-164.

CONCLUSION

This Court should not exercise its discretionary power to review the decision of the Sixth Circuit. There are no exceptional circumstances warranting interlocutory review; the facts of this case—a territorial dispute among licensees authorized to use the same mark—are highly unusual and do not lend themselves to setting precedent for a broad range of cases; the decision of the Sixth Circuit is consistent with decisions of this Court and decisions of other Circuits and is in harmony with both federal and state policies favoring protection of trademarks against deliberate infringers. For all of the foregoing reasons, Plaintiff respectfully requests that this Court deny the petition for a writ of certiorari.

Respectfully submitted,

CARL GENBERG
(*Counsel of Record*)
575 South Third Street
Columbus, Ohio 43215
614/464-0519
Counsel for Respondent

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Petitioner's Reply Brief

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No. 81-2012

In the Supreme Court of the United States

October Term, 1981

ELBY'S BIG BOY OF STEUBENVILLE, INC., *et al.*,
Petitioners,

vs.

FRISCH'S RESTAURANTS, INC.,
Respondent.

REPLY BRIEF OF PETITIONERS

THOMAS J. COLLIN
(Counsel of Record)
THOMPSON, HINE AND FLORY
1100 National City Bank Building
Cleveland, Ohio 44114
216/566-5500
Counsel for Petitioners

RAY A. BYRD
SCHRADER, STAMP, BYRD, BYRUM,
JOHNSON & COMPANION
816 Central Union Building
Wheeling, West Virginia 26003
304/233-3390

KEITH A. SOMMER
SOMMER & ANTILL
409 Walnut Street
Post Office Box 279
Martins Ferry, Ohio 43935
614/633-5551
Of Counsel

THE GATES LEGAL PUBLISHING CO., CLEVELAND, OHIO—TEL. (216) 621-5647

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REPLY BRIEF OF PETITIONERS

Respondent's arguments opposing the Petition underscore the need for review of the Sixth Circuit's decision. Review is further warranted because the Sixth Circuit's decision conflicts with this Court's April 27, 1982, decision in *Pullman-Standard v. Swint*, 50 U.S.L.W. 4425, filed after the Petition had been printed.

I. RESPONDENT'S BRIEF

A. Review of Preliminary Injunctions

Respondent, Frisch's Restaurants, Inc. ("Frisch's"), urges at pages 4 and 5 of its brief ("Brief") that it is somehow inappropriate for this Court to review a preliminary injunction order. It refers, without citation of authority, to the "normal practice of denying interlocutory review". (Brief at 4).

The cases reflect no such "normal practice". Just as there is no bar to interlocutory review of preliminary injunction orders in the courts of appeals, so there is no bar in 28 U.S.C. §1254(1), which authorizes this Court to review by writ of certiorari "[c]ases in the courts of appeals". This Court routinely reviews preliminary injunction decisions by the courts of appeals. *See, e.g., Jacksonville Bulk Terminals, Inc. v. International Longshoremen's Ass'n*, 50 U.S.L.W. 4789, 4790-91 (U.S. 1982); *Community Communications Company v. City of Boulder*, 50 U.S.L.W. 4144, 4145 (U.S. 1982); *SEC v. Capitol Gains Research Bureau, Inc.*, 375 U.S. 180, 184-85 (1963).

B. Conflict With Decisions of Other Courts of Appeals

Petitioners identified four distinct areas in which the decision of the Sixth Circuit conflicts with decisions of other circuits. Frisch's apparently concurs on all four of these.

Frisch's does not take issue with petitioner's demonstration that the Sixth Circuit's holding imposes liability under Section 43(a) without proof of causation, in direct conflict with the Second Circuit's decision in *American Home Products Corp. v. Johnson & Johnson*, 577 F.2d 160 (1978). (Petition at 12-13).

Nor does Frisch's dispute that the Sixth Circuit has construed Section 43(a) to make actionable a failure to disclose, in conflict with the Second Circuit's decision in *Alfred Dunhill Limited v. Interstate Cigar Company*, 499 F.2d 232 (1974). (Petition at 13-14).

Nor does Frisch's dispute that the Sixth Circuit's treatment of "likelihood of confusion" as a question of law conflicts with its treatment in the First, Fifth, Eighth and Tenth Circuits. (Petition at 14-15).

Frisch's challenges only the contention that the Sixth Circuit's decision conflicts with the Second Circuit's in *Johnson & Johnson v. Carter-Wallace, Inc.*, 631 F.2d 186, (1980) ("*Johnson & Johnson*"), on the quality and type of evidence an applicant for a preliminary injunction under Section 43(a) must produce. As the Petition showed, Frisch's failed to come forward with any evidence of likelihood of diversion of sales and damage to its commercial position, and the Sixth Circuit, contrary to the Second in *Johnson & Johnson*, found this failure of proof immaterial. (Petition at 10-11). Frisch's responds to this showing of circuit conflict by ignoring it. It argues only that it should not have to come forward with any of the evidence specified in *Johnson & Johnson*, not that the Sixth Circuit's opinion does not conflict with *Johnson & Johnson*. (Brief at 6-7).

C. Conflict With This Court's Decisions

Frisch's argument that the Sixth Circuit's decision does not conflict with this Court's standards on the construction of federal statutes is pervaded by precisely the same confusion of Ohio law with federal law that creates the very conflict Frisch's asserts does not exist.

Without disputing the congressional intent behind Section 43(a)—to eliminate state differences in trademark protection and to establish in their place "national legislation along national lines" (Petition at 17)—and without disputing that congressional enactments do not depend for their content upon the forum's state law, Frisch's argues that it was entirely appropriate for the Sixth Circuit to superimpose Ohio's common law of trademark and unfair competition on Section 43(a).

Frisch's begins by urging that state common law is the appropriate source for the content of Section 43(a) because

> it is the common law that establishes rights in trademarks, federal registration only confers certain additional rights. State and federal registration of trademarks have coexisted for many years.

(Brief at 9). Frisch's conveniently overlooks the fact that Section 43(a) has nothing whatsoever to do with federal or state registration of trademarks. It is, rather, a *sui generis* federal statutory tort. Contrary to Frisch's belief, Section 43(a), not the common law, "establishes rights" affecting the matters within its scope.

Frisch's goes on to argue that "under Ohio law, Frisch's is clearly entitled to injunctive relief". (Brief at 9). This reliance on Ohio law is, of course, a fundamental failing of the Sixth Circuit's decision. If Section 43(a) is to have any uniform application, its content cannot vary from state to state, depending upon idiosyncrasies of state law. The law of the forum state should not determine the result in a Section 43(a) case.

D. Issue Not Raised Below

Finally, Frisch's contends that the fifth question presented for review in the Petition, whether Section 43(a) applies to federally registered marks, was not raised below and cannot be raised in this Court. (Brief at 12). It is mistaken. Defendants argued both in the district court and the court of appeals that this dispute between licensees of Marriott Corporation over a federally registered trademark owned by Marriott is not reached by Section 43(a), because it is, fundamentally, a contract dispute over the use of a federally registered mark. It is implicit in this argument that Section 43(a) should not be invoked when the subject of a dispute is a federally registered mark.

Even if it were assumed, however, that the question had not been raised below, the question goes to subject matter jurisdiction over the claims upon which the preliminary injunction stands. The preliminary injunction rests exclusively upon Section 43(a). The Sixth Circuit had subject matter jurisdiction to review the claims only if they fall within Section 43(a). If they do not, because Section 43(a) does not extend to federally registered marks, then the court of appeals had no power to consider them. Subject matter jurisdiction can be raised in this Court regardless of whether it has been raised below. *E.g., Andrus v. Charlestone Stone Products Co.*, 436 U.S. 604, 607 n.6 (1978); *Liberty Mutual Insurance Co. v. Wetzel*, 424 U.S. 737, 740 (1976).

II. THE PULLMAN-STANDARD CASE

This Court reviewed in *Pullman-Standard*, decided April 27, 1982, whether it was consistent with Rule 52 for a court of appeals to make an independent determination of the ultimate fact in a Title VII case, whether the defendant had "discriminatory purpose". The Court observed that Rule 52 does not

> divide facts into categories; in particular, it does not divide findings of fact into those that deal with "ultimate" and those that deal with "subsidiary" facts.

50 U.S.L.W. at 4429. It held that the Fifth Circuit ignored Rule 52 in making an independent determination of "discriminatory purpose".

In treating the question of "likelihood of confusion" as a legal issue, the Sixth Circuit has similarly attempted to remove a question of fact from the requirements of Rule 52. Yet it is no more a legal issue than "discriminatory

purpose" is a legal issue in Title VII cases. At the most, it is the "ultimate" fact, subject, in common with all other fact-findings of the district court, to review under the standards of Rule 52. The Sixth Circuit's treatment of "likelihood of confusion" as a legal issue outside Rule 52 directly conflicts with *Pullman-Standard*. *See also Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*, 50 U.S.L.W. 4592, 4595-96 (U.S. 1982).

Even if it were assumed, as Frisch's contends, that the district court applied the incorrect legal standard in determining "likelihood of confusion" (Brief at 7-8), not that the Sixth Circuit made an independent determination of fact, *Pullman-Standard* emphasizes that a court of appeals must remand such a case for further proceedings. 50 U.S.L.W. at 4430. The Sixth Circuit, of course, did exactly the opposite, rewriting the district court's opinion instead of remanding.

III. CONCLUSION

The Sixth Circuit's decision raises far-reaching issues on the content and application of Section 43(a), and the Court should grant the Petition.

Respectfully submitted,

THOMAS J. COLLIN
(Counsel of Record)
THOMPSON, HINE AND FLORY
1100 National City Bank Building
Cleveland, Ohio 44114
216/566-5500
Counsel for Petitioners

RAY A. BYRD
SCHRADER, STAMP, BYRD, BYRUM,
JOHNSON & COMPANION
816 Central Union Building
Wheeling, West Virginia 26003
304/233-3390

KEITH A. SOMMER
SOMMER & ANTILL
409 Walnut Street
Post Office Box 279
Martins Ferry, Ohio 43935
614/633-5551
Of Counsel